

A	AUTOTOTE CORP	10Q	01-31-92
B	BASSETT FURNITURE INDUSTRIES INC	10Q	02-29-92
C	CFSB BANCORP INC	10Q	03-31-92
D	STATE FIRST FINANCIAL CORP	10Q	03-31-92
E	CREDO PETROLEUM CORP	10Q	01-31-92
F	DOAK PHARMACAL CO INC	10Q	01-31-92
G	STAKE TECHNOLOGY LTD	10Q	03-31-92
H	EMISPHERE TECHNOLOGIES INC	10Q	01-31-92
I	EQUIPMENT LEASING CORP OF AMERICA	10Q	01-31-92
J	HELENA SILVER MINES INC	10Q	01-31-92
K	INVITRO INTERNATIONAL	10Q	03-31-92
L	RANDOM INTERNATIONAL HOLDING LTD	10Q	01-31-92
M	MARTEL MICRO SYSTEMS INC	10Q	01-31-92
N	NATIONAL PROPANE CORP	10Q	01-31-92
O	NMC CORP	10Q	01-31-92
P	PATHE COMPUTER CONTROL SYSTEMS CORP	10Q	01-31-92
Q	PLAZA COMMERCE BANCORP	10Q	01-31-92
R	SILVER BUTTE MINING CO	10Q	11-30-91
S	UNITED MISSOURI BANK DEFINED CONTRIBUTION PLAN & TRUST FOR	10Q	01-31-92
T	U.S. WINDPOWER INC	10Q	06-29-91
U	VALLEY NATIONAL BANCORP	10Q	03-31-92
V	VIDA MEDICAL SYSTEMS INC	10Q	09-30-91
W	WORLDWIDE COLLECTIONS FUND INC	10Q	01-31-92

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

11/3/19

For the quarterly period ended: January 31, 1992

A
02-2048

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition from _____ to _____

Commission file number: 6-13063

AUTOTOTE CORPORATION

Exact name of registrant as specified in its charter

Delaware

(State or other jurisdiction of
incorporation or organization)

81-0422894

(I.R.S. Employer
Identification No.)

100 Bellevue Road, Newark, Delaware 19714-6009

(Address of principal executive offices)

(Zip Code)

(302) 737-4300

(Registrant's telephone number, including area code)

UNITED TOTE, INC.

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed
by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as
of the latest practicable date: 4,291,874

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AUTOTOTE CORPORATION AND SUBSIDIARIES

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AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
Unaudited

<u>Asset</u>	<u>January 31, 1992</u>	<u>October 31, 1991</u>
Current assets:		
Cash and cash equivalents	\$ 475,928	\$ 2,936,889
Accounts receivable, net	4,305,167	2,450,623
Current installments of notes receivable	168,850	218,327
Inventories	5,249,504	4,670,483
Prepays, deposits and other	<u>76,603</u>	<u>116,414</u>
Total current assets	10,276,052	10,392,736
Property and equipment, at cost	38,155,049	37,314,302
Less accumulated depreciation	<u>12,163,083</u>	<u>10,603,800</u>
Net property and equipment	25,991,966	26,710,502
Goodwill, less amortization	1,746,554	1,758,026
Other intangible assets, less amortization	316,672	341,671
Other assets and investments	<u>3,221,534</u>	<u>3,249,029</u>
	<u>\$ 41,552,778</u>	<u>\$ 42,451,964</u>

AUTOTGTE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
Unaudited

	January 31, 1992	October 31, 1991
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current installments of long-term debt	\$ 2,009,200	\$ 2,392,907
Accounts payable	2,964,340	2,702,714
Accrued liabilities	7,171,946	9,375,785
Income taxes payable	<u>257,881</u>	<u>400,525</u>
Total current liabilities	12,483,367	14,871,931
Deferred income taxes	4,631,658	4,631,658
Other long-term liabilities	1,396,093	1,396,093
Long-term debt, excluding current installments	<u>51,924,545</u>	<u>50,195,899</u>
Total liabilities	70,435,663	71,095,581
Stockholders' equity (deficiency):		
Preferred stock	3,551	3,551
Common stock	56,819	56,819
Additional paid-in capital	48,585,331	48,585,331
Retained earnings (deficit)	(72,656,442)	(72,417,174)
Less shares in treasury, at cost	<u>(4,872,144)</u>	<u>(4,872,144)</u>
Total stockholders' equity (deficiency)	<u>(28,882,885)</u>	<u>(28,643,617)</u>
	<u>\$ 41,552,778</u>	<u>\$ 42,451,964</u>

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Unaudited

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Operating revenues:		
Wagering systems	\$ 7,516,320	\$ 10,951,203
Racetracks	-	3,621,822
Wagering equipment and other sales	<u>1,692,838</u>	<u>1,232,236</u>
	9,209,158	15,805,261
Operating expenses (exclusive of depreciation and amortization shown below):		
Wagering systems	4,094,506	6,285,364
Racetracks	-	3,245,919
Cost of sales	<u>1,287,062</u>	<u>726,772</u>
	<u>5,381,575</u>	<u>10,268,062</u>
	3,907,583	5,537,199
Selling, general and administrative expenses	1,131,544	2,720,643
Depreciation and amortization	<u>1,641,092</u>	<u>3,608,191</u>
Operating income	1,135,030	(791,635)
Other (income) deductions:		
Interest expense	1,500,802	2,714,195
Interest income	<u>(23,154)</u>	<u>(42,346)</u>
	<u>1,477,648</u>	<u>2,671,849</u>
Earnings (loss) before income taxes	(342,618)	(3,463,484)
Income taxes (benefit)	<u>(113,100)</u>	<u>9,761,990</u>
Net earnings (loss)	<u>\$ (229,518)</u>	<u>\$ (2,701,488)</u>
Earnings (loss) per common share	<u>\$ (0.05)</u>	<u>\$ (0.48)</u>
Weighted average number of common shares outstanding	<u>4,289,874</u>	<u>5,681,915</u>

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Unaudited)

	<u>Preferred stock</u>	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Equity adjustment from translation</u>	<u>Treasury stock</u>	<u>Total stockholders' equity</u>
Balances, October 31, 1989	-	30,816	11,103,433	7,463,973	29,126	-	18,627,348
Issuance of preferred and common stock, net of expenses of \$1,819,965	1,839,383	7,754	33,583,193	-	-	-	35,430,330
Dividends on Series B Preferred Stock	-	-	-	(171,655)	-	-	(171,655)
Recapitalization of Series A Preferred Stock to common stock	(1,821,631)	18,216	1,803,415	-	-	-	-
Exercise of stock options	-	33	12,917	-	-	-	12,950
Net loss	-	-	-	(2,719,912)	-	-	(2,719,912)
Equity adjustment from translation	-	-	-	-	(73,289)	-	(73,289)
Balances, October 31, 1990	<u>17,752</u>	<u>56,819</u>	<u>46,502,958</u>	<u>4,572,406</u>	<u>(44,163)</u>	-	<u>51,105,772</u>
Split Off transaction	-	-	(3,664,428)	-	-	-	(3,664,428)
Acquisition of treasury stock	-	-	-	-	-	-	-
Sale of equipment to affiliate	-	-	1,663,200	-	-	(4,872,144)	(4,872,144)
Retirement of Series B Preferred Stock	(14,201)	-	14,201	-	-	-	1,663,200
Dividends on Series B Preferred Stock	-	-	-	(202,247)	-	-	-
Issuance of warrants	-	-	4,069,400	-	-	-	(202,247)
Net loss	-	-	-	(76,787,333)	-	-	4,069,400
Translation adjustment due to divestiture	-	-	-	-	-	-	(76,787,333)
Balances, October 31, 1991	<u>3,551</u>	<u>56,819</u>	<u>48,585,331</u>	<u>(72,417,174)</u>	<u>44,163</u>	<u>(4,872,144)</u>	<u>44,163</u>
Dividends on Series B Preferred Stock	-	-	-	(9,750)	-	-	(28,643,617)
Net loss	-	-	-	(229,518)	-	-	-
Balances, January 31, 1992	<u>3,551</u>	<u>56,819</u>	<u>48,585,331</u>	<u>(72,656,442)</u>	<u>-</u>	<u>(4,872,144)</u>	<u>(28,887,885)</u>

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Unaudited

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Cash flows from operating activities:		
Net earnings (loss)	\$ (229,518)	\$(2,701,488)
Adjustments to reconcile net earnings (loss) to cash provided by operating activities:		
Depreciation and amortization	1,641,009	3,608,191
Changes in operating assets and liabilities:		
Accounts receivable	(1,854,544)	(952,732)
Notes receivable	49,477	(64,246)
Inventories	(579,021)	(363,732)
Prepays, deposits and other	39,811	60,696
Accounts payable	261,626	(1,206,946)
Accrued expenses	(2,213,589)	445,104
Income taxes	(142,644)	(863,015)
Other	<u>109,639</u>	<u>129,287</u>
Total adjustments	<u>(2,688,236)</u>	<u>792,607</u>
Net cash provided (used) by operating activities	(2,917,754)	(1,908,881)
Cash flows from investing activities:		
Capital expenditures	(840,747)	(531,413)
Payments for other assets and investments	<u>(100,118)</u>	<u>(40,639)</u>
Net cash used in investing activities	(940,865)	(572,052)

AUTOTOTE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Unaudited
(Continued)

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Cash flows from financing activities:		
Advances to or from affiliates	-	347,649
Dividends paid	-	(48,741)
Net borrowings under lines-of-credit	2,223,665	4,003,003
Payments on long-term debt	(826,007)	(273,288)
Payments on bridge-term debt	<u>-</u>	<u>(1,209,000)</u>
Net cash provided by financing activities	1,397,658	2,828,623
Effect of exchange rate changes on cash	<u>-</u>	<u>229</u>
Increase (decrease) in cash and cash equivalents	(2,468,961)	347,919
Cash and cash equivalents, beginning of year	<u>2,936,889</u>	<u>1,868,385</u>
Cash and cash equivalents, end of period	<u>\$ 475,928</u>	<u>\$ 2,156,304</u>
Cash paid during the quarter ended:		
	January 31, 1992	January 31, 1991
Interest	\$ 2,836,112	\$ 1,024,699
Income taxes	\$ 29,544	\$ 109,273

AUTOTOTE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Principles

(a) Principles of Consolidation

The consolidated balance sheet as of January 31, 1992 and the consolidated statements of operations, stockholders' equity and cash flows for the three month periods ended January 31, 1992 and 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations and changes in financial position as of and for the periods indicated have been made. The October 31, 1991 financial statements were taken from statements audited by KPMG Peat Marwick in connection with the Company's annual audit.

2. Inventories

	January 31, <u>1992</u>	October 31, <u>1991</u>
Wagering system parts	\$ 2,421,274	\$ 1,957,690
Wagering systems equipment	2,421,282	2,381,107
Ticket paper	<u>486,948</u>	<u>331,686</u>
Total	<u>\$ 5,249,504</u>	<u>\$ 4,670,483</u>

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

On October 31, 1991, the Company transferred all the outstanding capital stock of its subsidiaries United Tote World Wide, Inc. and UT Wisconsin, Inc. and their related businesses (the "Divested Business") in exchange for 1,392,041 shares of the Company's Common Stock and 14,201 shares of the Company's Series B Convertible Preferred Stock held by certain former shareholders of the Company (the "Split Off").

The Split Off was consummated in compliance with a Final Judgment and Order entered by the United States District Court for the District of Delaware in an antitrust suit filed by the U. S. Department of Justice against the Company challenging the acquisition of Autotote Systems, Incorporated (the "Autotote Acquisition").

The effect of the Split Off was to divest the Company of all of the United Tote business in on-track, off-track and inter-track totalisator systems and services and of all of the Company's racetrack business. The business of the Company after giving effect to the Split Off consists of the on-track, off-track and inter-business conducted by Autotote and the sports/race wagering business conducted by Autotote CBS, Inc. (the "Retained Business").

Quarter Ended January 31, 1992 as Compared to Quarter Ended January 31, 1991.

Operating revenues for the first quarter declined 42 % from \$15.8 million in fiscal 1991 to \$9.2 million in fiscal 1992. A net loss of \$.2 million or \$.05 per common share was incurred in the first quarter of fiscal 1992, compared to a net loss of \$2.7 million or \$.48 per common share incurred in the first quarter of fiscal 1991.

The following tables show revenue and expense data for the Retained Business for the first quarter of fiscal 1992 and for the Retained Business, the Divested Business, and for the Company consolidated for the first quarter of fiscal 1991.

Revenue Analysis

(In millions)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991		
	Retained Business	Retained Business	Divested Business	Consolidated
Wagering systems	\$ 7.5	7.8	3.2	11.0
Wagering equipment and other sales	1.7	1.2	-	1.2
Racetracks	-	-	3.6	3.6
	<u>\$ 9.2</u>	<u>9.0</u>	<u>6.8</u>	<u>15.8</u>

Revenues of the Retained Business for the first quarter of fiscal 1992 increased 2% or \$.2 million to \$ 9.2 million as compared to the same period in fiscal 1991.

Expense Analysis

(In millions)

	Quarter Ended January 31, 1992	Quarter Ended January 31, 1991		
	Retained Business	Retained Business	Divested Business	Consolidated
Wagering systems	\$ 4.1	4.3	2.0	6.3
Cost of sales	\$ 1.3	.8	-	.8
Racetracks	-	-	3.2	3.2
Selling, general and administrative expenses	\$ 1.1	1.2	.9	2.1
Depreciation and amortization	\$ 1.6	2.5	1.1	3.6
Other deductions (Income):				
Interest expense	\$ 1.5	2.4	.3	2.7
Interest income	\$ -	-	-	-
Litigation costs	\$ -	.6	-	.6

Gross margins on wagering systems revenues of the Retained Business remained at 45% in the first quarter of fiscal 1992 as compared to the first quarter of fiscal 1991. Gross margins on equipment and other sales declined 4% to 29% for the first quarter of fiscal 1992 as compared to 33% for the same period in fiscal 1991, principally due to a onetime sale of customized terminals.

Selling, general and administrative expenses of the Retained Business decreased \$.1 million and decreased 1% as a percent of total revenues to 12% for the first quarter of fiscal 1992 as compared to 13% for the first quarter of fiscal 1991.

Depreciation and amortization expense of the Retained Business decreased 36% to \$1.6 million for the first quarter of fiscal 1992 from \$2.5 million for the same period in fiscal 1991. The decrease in depreciation and amortization is principally due to a reduction in amortization which resulted from the write-off in fiscal 1991 of goodwill and other intangibles related to the Autotote Acquisition.

Antitrust litigation costs for the first quarter of fiscal 1991 amounted to \$.6 million. The antitrust litigation was completed in fiscal 1991. In the Company's consolidated statements of operations set forth in Part I Item 1 of this report, the litigation costs for the first quarter of fiscal 1991 were included in selling, general, and administrative expenses.

Interest expense of the Retained Business decreased 37% from \$2.4 million for the first quarter of fiscal 1991 to \$1.5 million for the first quarter of fiscal 1992. The decrease reflects the assumption of certain debt of the Company by the Divested Business and the Company's repayment of certain debt, each in connection with the Split Off, the restructuring of the Company's Subordinated Debentures at the end of fiscal 1991, and reduced interest rates.

Net Loss

The net loss for the first quarter of fiscal 1992 was \$.2 million as compared to a net loss of \$2.7 million for the first quarter of fiscal 1991. The reduced net loss for the first quarter of fiscal 1992 primarily reflects reduced depreciation and amortization, interest expenses, and the absence

of antitrust litigation costs. The net loss for the first quarter of fiscal 1991 included the operating loss of the Divested Business.

Income tax benefit was 33% of the pre-tax loss for the first quarter of fiscal 1992, compared to 22% for the first quarter of fiscal 1991.

Liquidity and Capital Resources

At January 31, 1992, the Company had \$3.2 million available for borrowing under a \$7 million revolving credit facility ("the Revolver") which is part of a credit facility of \$44 million (the "Credit Facility"), which also includes a \$37 million term loan.

As previously disclosed, on October 31, 1991 the Company effected certain amendments and modifications to its Subordinated Debentures (the "Debentures") issued in connection with the Autotote Acquisition. The holders of approximately 86% of the original aggregate principal amount of the Debentures agreed to certain modifications to their Debentures at that time. The holders of approximately 14% of the original aggregate principal amount of the Debentures, which now constitutes 16% of the outstanding principal amount, did not agree to any modifications. Since December 31, 1991, the Company has paid, and intends to continue to pay, cash interest on those Debentures at the rate of 11 1/4% per annum. Under the terms of the Debentures, those holders do not have the contractual right to accelerate or take any action with respect to non-payment of the balance of the original stated interest (14% in 1991, 15% in 1992 and 18% thereafter) since those holders hold less than 25% of the aggregate outstanding principal amount of the Debentures. At March 16, 1992, the amount of this interest payment default was \$197,000. The Company has not paid this amount because of limitations on payment of interest on the Company's Subordinated Debentures contained in the Credit Facility.

Operating Activities

For the first quarter of fiscal 1992, the Company's operating activities used cash of \$2.9 million, compared to \$1.9 million used during the same period in fiscal 1991. Cash and cash equivalents totaled \$5 million at January 31, 1992 compared to \$2.9 million at October 31, 1991. Working capital ratios improved to .82 to 1 at January 31, 1992 from .70 to 1 at October 31, 1991.

Most of the Company's future capital expenditure requirements will be for wagering system equipment. The amount of these expenditures is dependent upon the Company's ability to enter into service contracts with new customers. Each new customer may require the manufacture and assembly of a new wagering system unless the dates of operations of a new facility allow an existing system to be used at that facility.

The Company anticipates capital expenditure requirements of approximately \$5 million for additional wagering systems for fiscal 1992. To the extent that capital expenditures are not financed from operations or the Revolver, the Company will seek long-term financing.

Inflation did not have a significant effect on the Company's operations during the first quarter of fiscal 1992 nor during fiscal years 1991, 1990 and 1989.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

NONE

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

Information in "Liquidity and Capital Resources" in Part I, Item 2 of this report is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders.

NONE

Item 5. Other Information

On January 3, 1992, the Final Judgment and Order dated August 28, 1991 (the "Final Judgment") entered by the United States District Court for the District of Delaware in United States v. United Tote, Inc., previously filed under seal, was unsealed. A copy of the Final Judgment is attached hereto as Exhibit 19.1.

On February 28, 1992 the stockholders voted to change the name of the Company to "Autotote Corporation" and authorized the designation of 9,500,000 shares of the Company's authorized Common Stock as Class A Common Stock and 500,000 shares of the Company's authorized Common Stock as a new class of Nonvoting Common Stock to be designated Class B Nonvoting Common Stock which will be convertible into Class A Common Stock.

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits

19.1 Final Judgment dated August 28, 1991 entered by the United States District Court for the District of Delaware in United States v. United Tote, Inc.

b) Reports on Form 8-K

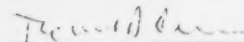
The Company filed a report on Form 8-K dated October 31, 1991 with the Securities and Exchange Commission (the "Commission") on November 14, 1991, which was amended by Form 8 filed with the Commission on December 10, 1991. This report on Form 8-K reported on the Split Off and other related transactions and contained the unaudited pro forma consolidated balance sheet and statement of operations of the Company for the nine months ended July 31, 1991 and the unaudited pro forma statement of operations for the fiscal year ended October 31, 1990. The Company also filed a report on Form 8-K dated November 14, 1991 with the Commission on November 27, 1991 for the purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOTOTE CORPORATION
(Registrant)

DATE: **March 16, 1992**



**Robert D. Clunci, Vice President-
Finance, Treasurer
(Principal financial officer, and
principal accounting officer.)**

EXHIBIT INDEX

Exhibit No.	Description	Page
19.1	Copy of Final Judgment and Order entered by the United States District Court for the District of Delaware in <u>United States v. United Tote, Inc.</u> , dated August 28, 1991	17

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

UNITED STATES OF AMERICA,
Plaintiff,

v.

UNITED TOTE, INC.,
Defendant.

Civil No. 90-130-LON

FINAL JUDGMENT AND ORDER

WHEREAS, plaintiff, United States of America, having filed its Complaint herein on March 14, 1990;

AND WHEREAS, on May 10, 1991, the Court entered judgment in favor of plaintiff, and ordered the parties to submit a stipulated Final Judgment and Order setting forth mutually acceptable terms and conditions of divestiture, if agreement could be reached;

NOW, THEREFORE, it is hereby

ORDERED, ADJUDGED AND DECREED as follows:

I. JURISDICTION

This Court has jurisdiction over the subject matter of this action and over each of the parties hereto. The Complaint states a claim upon which relief may be granted against

defendant under Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

II. DEFINITIONS

As used in this Final Judgment and Order:

A. "United Tote" means the business entities conducting the business conducted by United Tote, Inc. on December 10, 1989, and any and all interest that defendant has in all of the real, personal, and intellectual property of United Tote used in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

B. "Autotote" means Autotote Limited or any other business entity conducting the business conducted by Autotote Systems, Inc. on December 10, 1989, and any and all interest that defendant has in all of the real, personal; and intellectual property of Autotote used in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

C. "Holding Company" means defendant United Tote, Inc., and its directors, officers, employees, agents or anyone acting on their behalf;

D. "Divestiture" means the sale or transfer by the Holding Company to a Purchaser of the Totalisator Business of United Tote or Autotote, with the result that after Divestiture the Totalisator Businesses of United Tote and Autotote will function as separate and independently viable ongoing businesses with

their assets, management, ownership and control completely separate, distinct and apart from one another;

E. "Divested Entity" means the entity that is sold or transferred to the Purchaser pursuant to the Holding Company's obligation to accomplish Divestiture under this Final Judgment and Order;

F. "Divestiture Time Period" means the period ending six months after the entry of this Final Judgment and any extension thereof pursuant to Section IV.I hereof;

G. "Person" means any natural person, corporation, association, firm, partnership or other business or legal entity;

H. "Purchaser" means a Person to whom the Divested Entity or its stock or assets is sold or transferred by the Holding Company pursuant to Section IV hereof or by the Trustee pursuant to Section V hereof;

I. "Totalisator Business" means the business entities of United Tote or Autotote, as the case may be, engaged in, and all of the real, personal and intellectual property of United Tote or Autotote, as the case may be, used in, the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services;

J. "Trustee" means the Divestiture Trustee appointed by the Court pursuant to Section V hereof.

III. APPLICABILITY

A. The provisions of this Final Judgment shall apply to the Holding Company, United Tote and Autotote; their successors and assigns; their officers, directors, employees and agents, and all other Persons acting for or on behalf of any of them who shall have received actual notice of this Final Judgment by personal service or otherwise.

B. Prior to the expiration of this Final Judgment, the Holding Company shall require, as a condition of Divestiture, that the Purchaser agree to be bound by the provisions of this Final Judgment.

C. Nothing herein shall suggest that any portion of this Final Judgment is or has been created for the benefit of any third party, and nothing shall be construed to provide any rights to any third party.

IV. DIVESTITURE

A. The Holding Company is hereby ordered and directed to accomplish Divestiture as soon as possible within the Divestiture Time Period.

B. Divestiture under Section IV, or by the Trustee pursuant to Section V herein, shall be accomplished in such a way as to satisfy plaintiff or the Court that the Divested Entity can and will be operated by the Purchaser as a viable, ongoing business engaged in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America, and that the operating company that

remains associated with the Holding Company can and will be operated as a viable, on-going business engaged in the manufacture and provision of on-track, off-track and inter-track totalisator systems and services in North America. Divestiture under Section IV or by the Trustee under Section V shall be made to a Purchaser for whom it is demonstrated to the satisfaction of plaintiff that (1) the purchase is for the purpose of competing effectively in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America and (2) the Purchaser has the managerial, operational, and financial capability to compete effectively in the manufacture and provision of on-track, off-track, and inter-track totalisator systems and services in North America.

C. If the Holding Company or the Trustee establishes to the satisfaction of plaintiff that Divestiture of all of the Totalisator Business of United Tote or Autotote cannot be accomplished in a manner that satisfies the conditions of Section IV.3, plaintiff may approve the Divestiture of less than the entirety of the Totalisator Business of United Tote or Autotote if such Divestiture would otherwise satisfy the conditions of Section IV.3.

D. Without the consent of plaintiff, neither the Holding Company nor any of its subsidiaries shall offer employment to employees currently employed by the Divested Entity for one year

following Divestiture under Section IV or by the Trustee under Section V.

E. The Holding Company shall take all reasonable steps to accomplish Divestiture within the Divestiture Time Period. Plaintiff may, upon the Holding Company's request and at any time on or before the end of the Divestiture Time Period, agree to extend said period for a period not to exceed three months if the Holding Company requests such an extension and demonstrates that it has made bona fide efforts to accomplish Divestiture and that there is a reasonable expectation that Divestiture to an identified potential Purchaser can be accomplished in the requested extended Divestiture Time Period, but that the Divestiture cannot be completed before the end of the initial Divestiture Time Period.

F. At the request of a Purchaser or the Trustee, the Holding Company shall agree to provide technical assistance as such Purchaser may reasonably require to enable such Purchaser to manufacture and provide on-track, off-track, and inter-track totalisator systems and services of the same general type and efficiency as those currently manufactured and provided by the Divested Entity, provided, however, that the Holding Company is only required to provide such technical assistance if the Purchaser agrees (a) to compensate the Holding Company in an amount equal to its costs incurred in providing such assistance; and (b) to hold harmless and indemnify the Holding Company from and against any and all claims arising out of the provision of

such assistance, and, provided, further, that the Holding Company shall not be required to provide such technical assistance after three months following Divestiture to such Purchaser, and shall not provide such technical assistance more than eighteen months following Divestiture to such Purchaser.

G. The Divestiture required by Section IV hereof shall not be made to any Person that is already engaged in the manufacture and provision of on-track, off-track, or inter-track totalisator systems and services in North America, without approval of plaintiff.

H. The Holding Company shall not finance all or any part of the purchase of the Divested Entity by a Purchaser without the prior written approval of plaintiff. Nor shall the Holding Company enter into any other financial agreement with the Purchaser for a period of one year following Divestiture without prior written approval of plaintiff.

I. After Divestiture, no director, officer, employee or shareholder of the Divested Entity or of the Purchaser may be a director, officer, employee or shareholder of the Holding Company, and no director, officer, employee or shareholder of United Tote or Autotote, respectively, may be a director, officer, employee or shareholder of Autotote or United Tote, respectively; provided, however, that this subparagraph shall not prevent an employee of the Divested Entity from continuing to hold stock in the Holding Company amounting to less than one percent of the outstanding common stock of the Holding Company.

In addition, this subparagraph shall not prevent a director, officer, employee or shareholder of the Divested Entity or of the Holding Company from continuing to be the beneficial owner of one percent or more of the outstanding common stock in the Holding Company or the Divested Entity, as the case may be, for such period of time as is reasonable and appropriate to permit the orderly sale or other disposition of such stock, provided that during such period the record owner of the stock shall be an independent trustee who shall have the sole discretion to determine how the stock shall be voted with respect to any matter submitted to stockholders for approval or disapproval. In the latter circumstance, the duration of the period for disposition of the stock, the identity of the trustee and the terms of the Trust shall be subject to the plaintiff's approval. Except in the case of competitively sensitive information provided pursuant to the Stipulated Order dated April 11, 1990, as amended, or pursuant to Paragraph 2(h) of the Stipulated Order dated July 10, 1991, no person who has been granted access to competitively sensitive information related to United Tote since the Court's Order of April 11, 1990, as amended, shall serve as a director, officer or employee of Autotote, or any person that owns Autotote, after Divestiture. Except in the case of competitively sensitive information provided pursuant to the Stipulated Order dated April 11, 1990, as amended, or pursuant to Paragraph 2(h) of the Stipulated Order dated July 10, 1991, no person who has been granted access

to competitively sensitive information related to Autotote since the Court's Order of April 11, 1990 shall serve as a director, officer or employee of United Tote, or any person that owns United Tote, after Divestiture. After Divestiture, Autotote shall not use any trademark belonging to United Tote, and United Tote shall not use any trademark belonging to Autotote. After Divestiture, Autotote shall not own or use any proprietary technology belonging to United Tote, and United Tote shall not own or use any proprietary technology belonging to Autotote.

J. For a period of five years after the entry of this Final Judgment, United Tote, Autotote, the Holding Company and Purchaser and their successors and assigns shall not acquire, directly or indirectly, any of the stock or assets of any person then engaged in the manufacture or provision of on-track, off-track or inter-track totalisator systems and services in North America without prior approval of plaintiff or the Court. For a period of five years after entry of this Final Judgment, United Tote, Autotote, Holding Company and Purchaser shall not sell or assign contracts to supply totalisator systems or services that account for more than 10 percent of their total annual totalisator revenues to any person then engaged in the manufacture or provision of on-track, off-track or inter-track totalisator systems and services in North America without prior approval of plaintiff or the Court.

V. DIVESTITURE TRUSTEE

A. If the Holding Company has not accomplished the Divestiture required under Section IV hereof within the Divestiture Time Period, the Court shall appoint a Trustee for the purpose of accomplishing said Divestiture in accordance with the provisions of this Section V. Within twenty days of the expiration of the Divestiture Time Period without Divestiture having been accomplished, plaintiff shall furnish the Holding Company with the names and qualifications of two nominees for the Trustee. Within ten days of receiving plaintiff's names and qualifications, the Holding Company shall advise plaintiff of either its acceptance of one of the nominees or shall provide the names and qualifications of two other nominees for the Trustee. If the parties fail to agree on the appointment of a nominee within ten days, plaintiff shall promptly apply to the Court for the appointment of a Trustee and shall provide the Court with the names and qualifications of the nominees identified by the plaintiff and the Holding Company. The Court may hear the parties as to the qualifications of their respective nominees and shall promptly appoint one of the nominees to be the Trustee.

B. Upon appointment, the Trustee shall have the exclusive right and authority to accomplish Divestiture by sale to a Purchaser approved by plaintiff at such price and on such terms as are then obtainable upon a reasonable effort by said Trustee, provided, however, the Trustee shall not divest to any Person enumerated in Section IV.C hereof without permission of

plaintiff. The Holding Company may object to the proposed sale by the Trustee only on the ground of the Trustee's malfeasance or breach of fiduciary duty. Any such objection shall be conveyed in writing to plaintiff and the Trustee within fifteen days of the Trustee's notification to the parties of a proposed sale.

C. The Trustee shall serve at the cost and expense of the Holding Company and shall receive compensation based on a fee arrangement providing an incentive based on price and terms of the Divestiture and the speed with which it is accomplished. The Trustee and the Holding Company shall negotiate in good faith the terms of the Trustee's compensation arrangement, subject to the approval of the plaintiff or the Court. In the event they are unable to reach agreement, the terms of the Trustee's compensation shall be set by the Court. The Trustee shall receive no compensation nor incur any costs or expenses prior to the date of his or her appointment. The Trustee shall account for all monies derived from the Divestiture and for all costs and expenses incurred in connection therewith, including the Trustee's fees, and all remaining monies shall be paid promptly to the Holding Company and the Trust shall then be terminated.

D. The Holding Company shall, as requested, assist the Trustee to accomplish the required Divestiture and shall take no action to impede such efforts. The Trustee shall have full access to personnel, books, records and facilities of United Tote and Autotote, and United Tote and Autotote shall develop

such financial or other information relevant to United Tote or Autotote as the Trustee may reasonably request, subject to appropriate protections for confidential information.

E. The Trustee shall provide the parties with monthly reports describing efforts to accomplish the required Divestiture. Each report shall contain (a) the name and address of each Person who, during the preceding month, expressed any interest in, made any inquiry regarding, or was contacted regarding the Divestiture; and (b) a detailed description of all communications from and to each such Person. The Trustee shall maintain full records of all such communications.

F. If the Trustee has not accomplished the required Divestiture within six months of appointment, the Trustee shall within twenty days of the expiration of said six-month period submit a report to the parties and the Court setting forth (a) the Trustee's efforts to accomplish the Divestiture, (b) the reasons, in the Trustee's judgment, why Divestiture has not been accomplished, and (c) the Trustee's recommendations. The parties shall thereupon have the right to be heard and to make their own recommendations. The Court shall thereafter enter such orders as it deems appropriate, which may include extension of the Trust and the Trustee's appointment for some specified further period.

VI. NOTIFICATION

The Holding Company or the Trustee, whichever is then responsible for effecting the Divestiture, shall notify plaintiff of any proposed Divestiture pursuant to Section IV or V hereof. If responsible, the Trustee shall also notify the Holding Company. The notice shall set forth the details of the proposed transaction and list the name, address, and telephone number of each Person not previously identified who offered to acquire, or expressed an interest in acquiring or desire to acquire any ownership interest in the Divested Entity, together with full details of same. Within fifteen days of receipt of such notice, the plaintiff or the Holding Company may request additional information concerning the proposed Divestiture and the proposed Purchaser. United Tote, Autotote, the Holding Company or the Trustee shall furnish any additional information requested within twenty days of the receipt of any such request, unless the parties shall otherwise agree. Within thirty days after receipt of the notice or within twenty days after plaintiff has been provided the additional information requested, whichever is later, plaintiff shall provide written notice to the Holding Company and any Trustee, stating whether or not plaintiff objects to the proposed Divestiture. If plaintiff provides written notice to the Holding Company or the Trustee that it does not object, then the parties shall promptly consummate the Divestiture, subject only to the Holding Company's rights to object to the sale pursuant to Section V.B hereof. Upon objection by plaintiff, a Divestiture proposed

under Section IV shall not be consummated unless approved by the Court on motion of defendant pursuant to Section IX. Upon objection by plaintiff or by the Holding Company, a Divestiture proposed under Section V shall not be consummated unless approved by the Court.

VII. PRESERVATION OF ASSETS

Until the Divestiture required by this Final Judgment has been accomplished, defendant shall be bound by the Stipulated Hold Separate Order dated July 10, 1991.

VIII. COMPLIANCE INSPECTION

For the purposes of determining or securing compliance with this Final Judgment and subject to any legally recognized privilege, from time to time:

A. Duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to defendant's principal office or counsel, be permitted:

1. access during office hours of defendant to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of defendant, who may have counsel present, relating to any matters contained in this Final Judgment; and

2. subject to the reasonable convenience of defendant and without restraint or interference from it, to interview officers, employees, and agents of such defendant, who may have counsel present, should they so choose.

B. Upon the written request of the Attorney General or of the Assistant Attorney General in charge of the Antitrust Division made to defendant's principal office or counsel, defendant shall submit such written reports, under oath, with respect to any of the matters contained in this Final Judgment as may be requested.

C. No information or documents obtained by the means provided herein shall be divulged by a representative of the Department of Justice to any Person other than a duly authorized representative of the Executive Branch of the United States, except in the course of legal proceedings to which the United States is a party (including grand jury proceedings), or for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

D. If at the time information or documents are furnished by defendant to plaintiff, defendant represents and identifies in writing the material in any such information or documents to which a claim of protection may be asserted under Rule 26(c)(7) of the Federal Rules of Civil Procedure, and defendant marks each pertinent page of such material, "Subject to claim of protection under Rule 26(c)(7) of the Federal Rules of Civil Procedure," then ten days notice shall be given by plaintiff to

defendant prior to divulging such material in any legal proceeding (other than a grand jury proceeding).

IX. JUDICIAL REVIEW

In each instance where plaintiff's satisfaction, approval or consent is required or contemplated under this Final Judgment, such satisfaction, approval or consent shall not be unreasonably withheld. In the event the Holding Company believes that plaintiff's satisfaction, consent or approval has been withheld unreasonably, it may file a motion with the Court upon the provision of ten days written notice to plaintiff. Any review of whether plaintiff has acted reasonably shall be based on information that was made available to plaintiff during its consideration of the request for approval.

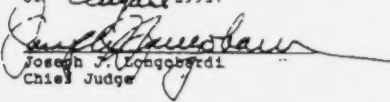
X. RETENTION OF JURISDICTION

Jurisdiction is retained by this Court for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, for the modification of any of the provisions hereof, for the enforcement of compliance herewith, and for the punishment of any violations hereof.

XI. TERMINATION

This Final Judgment will expire eighteen months after the completion of Divestiture in accordance with the provisions of Section IV or Section V hereof, except for Section IV.J., which will expire five years after completion of Divestiture, and except for Section IV.I, which will expire upon the termination of any Trust established pursuant to that Section.

SO ORDERED this 28th day
of August 1991.

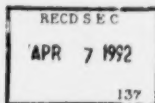

Joseph J. Longobardi
Chief Judge

018541

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report
Under Section 13 or 15(d) of the
Securities Exchange Act of 1934For Quarter Ended
February 29, 1992BASSETT FURNITURE INDUSTRIES, INCORPORATED
(Exact name of registrant as specified in its charter)

VIRGINIA

(State or other jurisdiction of incorporation or organization)

0-209
(Commission File Number)54-0135270
(IRS Employer Identification No.)Bassett, Virginia
(Address of principal executive offices)24055
(Zip Code)PROCESSED
6/6 R
APR 8 1992(703) 629-6000
(Registrant's telephone number, including aMicrofilmed by
{ Q-Data Corp. - St. Petersburg, FLIndicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 12 months, and (2) has been subject to
such filing requirements for the past 30 days.YES ☒ NO ☐Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

Common Stock - \$.00 Par Value - 7,690,595 shares at February 29, 1992.

Page 1
6 Total PagesBEST COPY
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PART I - FINANCIAL INFORMATION
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS - UNAUDITED

	Three Months Ended February 29 (28),	
	1992	1991
Net sales	\$106,376,467	\$ 89,275,742
Operating costs and expenses:		
Cost of goods sold	88,300,031	76,084,342
Selling, general and administrative	13,219,338	13,200,295
	<u>101,519,369</u>	<u>89,284,637</u>
 INCOME (LOSS) FROM OPERATIONS	 4,857,098	 (8,895)
Other income	3,055,656	2,457,763
Other deductions	(68,773)	(55,125)
Net unrealized gain on marketable securities	<u>1,224,796</u>	<u>0</u>
 INCOME BEFORE INCOME TAXES	 9,068,777	 2,393,743
Income taxes	<u>2,821,000</u>	<u>386,000</u>
 NET INCOME	 6,247,777	 2,007,743
RETAINED EARNINGS - beginning of period	<u>250,798,846</u>	<u>238,661,381</u>
	257,046,623	240,669,124
Cash dividends declared	(1,922,649)	(1,927,649)
Treasury stock retired	<u>(33,717,005)</u>	<u>0</u>
RETAINED EARNINGS - end of period	<u>\$221,406,969</u>	<u>\$238,741,475</u>
 NET INCOME PER SHARE (1)	 <u>\$ 0.81</u>	 <u>\$ 0.26</u>
DIVIDENDS PER SHARE	<u>\$ 0.25</u>	<u>\$ 0.25</u>

NOTE:

- (1) Per share amounts are based on 7,683,448 and 7,710,913 weighted average number of shares outstanding at February 29 (28), 1992 and 1991, respectively.

PART I - FINANCIAL INFORMATION - CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

ASSETS	February 29, 1992	November 30, 1991
Current Assets		
Cash and cash equivalents	\$ 53,419,847	\$ 44,622,029
Marketable securities	0	29,378,955
Trade accounts receivable, less allowances for doubtful accounts and discounts	63,326,443	67,677,661
Inventories:		
Finished goods	33,240,196	34,273,711
Work in process	13,935,326	12,202,414
Raw materials and supplies	30,491,682	27,303,440
	77,667,204	73,779,565
LIFO adjustment	(19,129,000)	(18,854,000)
	58,538,204	54,925,565
Prepaid expenses	1,935,963	2,843,710
Deferred income taxes	1,451,000	2,122,000
CURRENT ASSETS	178,671,457	201,569,920
Property, Plant and Equipment		
Cost	196,403,461	194,121,230
Less allowances for depreciation	139,887,659	137,804,105
	56,515,802	56,317,125
Other Assets		
Investments in affiliated companies	25,404,494	24,689,886
Noncurrent marketable securities	29,101,695	0
Other	8,686,939	8,682,365
	63,193,128	33,372,251
	<u>\$298,380,387</u>	<u>\$291,259,296</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 24,702,911	\$ 22,355,370
Accrued compensation	4,090,606	5,233,277
Income taxes	2,361,674	1,399,713
CURRENT LIABILITIES	31,155,191	28,988,360
Deferred Liabilities	7,365,252	7,165,339
Stockholders' Equity		
Common stock	38,452,975	47,864,840
Additional capital	0	7,993,618
Retained earnings	221,406,969	250,798,846
Cost of common stock in treasury	0	(51,551,707)
	259,859,944	255,105,597
	<u>\$298,380,387</u>	<u>\$291,259,296</u>

PART 1 : FINANCIAL INFORMATION - CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

	<u>Three Months Ended February 29 (28),</u>	
	<u>1992</u>	<u>1991</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,487,309	\$ 7,140,126
INVESTING ACTIVITIES		
Changes (net) in marketable securities	1,845,269	(57,823)
Changes (net) in other noncurrent securities	1,662,823	(500,000)
Purchases of property, plant and equipment	(2,355,731)	(1,576,730)
Proceeds from sale of property, plant and equipment	19,850	303,859
Other	12,877	(36,822)
	<u>1,185,088</u>	<u>(1,867,516)</u>
FINANCING ACTIVITIES		
Exercise of stock options	48,070	110
Purchases of treasury stock	0	(421,744)
Cash dividends	(1,922,649)	(1,927,649)
	<u>(1,874,579)</u>	<u>(2,349,283)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	8,797,818	2,923,327
CASH AND CASH EQUIVALENTS -beginning of period	<u>44,622,029</u>	<u>31,189,484</u>
CASH AND CASH EQUIVALENTS - end of period	<u>\$53,419,847</u>	<u>\$34,112,811</u>

PART I - FINANCIAL INFORMATION - CONTINUED
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principals for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net sales for the first quarter were \$106.4 million, an increase of \$17.1 million or 19% over 1991. Net income for the quarter was \$6,248,000, compared to \$2,008,000 in 1991. Gross profit increased \$4,885,000 (37%) in 1992, to \$18,076,000. The gross profit margin increased to 17.0% for the 1992 first quarter compared to 14.8% in 1991. Selling, general and administrative expenses remained level with 1991, but the percentage to net sales decreased to 12.4% compared to 14.8% in 1991. Income from operations increased from a loss of \$8,000 in 1991 to income of \$4,857,000 in 1992.

Net sales increased in all major Divisions in 1992, with significant improvement in the soft goods segment of the Company, and especially in the Motion and Upholstery Divisions. Both the wood products and soft goods divisions generated increased income from operations in 1992. The improvements were equally significant in each segment.

The credit worthiness of many of our customers continues to be a major problem. We increased our allowances for doubtful accounts to \$1,720,000 as of February 29, 1992. The charge to profits for credit losses for 1992 and 1991 was approximately the same.

The increase in other income came from realized gains from sales of securities. The improvement in market prices during the quarter of the securities held in our portfolio of marketable securities caused a reduction in the balance of the reserve for unrealized losses in the amount of \$1,225,000. This amount has been reflected in the determination of net income under the caption "net unrealized gain on marketable securities".

Net cash provided by operating activities for the 1992 first quarter (\$9,487,000) is deemed sufficient for the capital expenditure and operating needs of the Company. Anticipated future expenditures for property, plant and equipment are immaterial.

The current ratio at February 29, 1992 was 5.73 compared to 6.95 at November 30, 1991 and 9.24 at February 28, 1991. During the 1992 quarter, we reclassified the portfolio of marketable securities from a current to a noncurrent asset classification which is more descriptive of the characteristics of the portfolio.

The work schedules at our wood products plants are still not at full production levels and the current incoming order rate does not indicate any change in the immediate future. The soft goods facilities are operating on full work schedules. Even though we experienced an improvement in our operations in the first quarter, we are still challenged by the economic conditions brought about by this recession.

PART II - OTHER INFORMATION
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

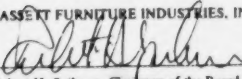
ITEM 6 (b), REPORTS ON FORM 8-K

1. Report on Form 8-K dated February 24, 1992 reporting a 3-for-2 stock split to be distributed April 6, to holders of record on March 16.

SIGNATURES

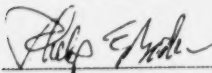
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BASSETT FURNITURE INDUSTRIES, INCORPORATED



Robert H. Spilman, Chairman of the Board, and Chief Executive Officer

DATE: APRIL 6, 1992



Philip E. Bockey, Vice President, Controller (Chief Accounting Officer)

DATE: APRIL 6, 1992

0.30352

Q-35488

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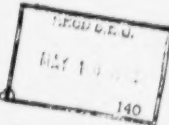
MANUALLY SIGNED



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934



82-2248

For Quarter Ended March 31, 1992

Commission File No. 0-18609

CFSD Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

38-2920051

(I.R.S. Employer
Identification No.)

112 East Allegan
Lansing, Michigan 48933
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (517) 483-4871

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of Registrant's \$0.01 par value common stock outstanding at March 31, 1992 was 2,067,869.

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CFSB Bancorp, Inc. and Subsidiary

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PART II - OTHER INFORMATION

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SIGNATURES

CFSB Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition

	March 31, 1992 (unaudited)	December 31, 1991
Assets		
Cash and amounts due from depository institutions	\$ 2,707,421	\$ 2,817,176
Interest-earning deposits with Federal Home Loan Bank and other depository institutions, at cost which approximates market	34,162,962	56,798,814
Investment securities, net (market value \$138,087,000 and \$88,707,000 at March 31, 1992 and December 31, 1991, respectively)	137,450,338	86,984,406
Mortgage-backed securities, net (market value \$138,931,000 and \$139,915,000 at March 31, 1992 and December 31, 1991, respectively)	138,648,950	136,310,217
Loans receivable, net	344,416,294	361,601,980
Accrued interest receivable, net	6,516,258	5,903,804
Real estate, net	5,234,619	5,391,019
Premises and equipment, net	9,319,524	9,013,580
Stock in Federal Home Loan Bank of Indianapolis, at cost	4,673,800	4,673,800
Other assets	2,771,135	3,543,535
Total Assets	\$ 683,901,301	\$ 673,038,331
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	\$ 585,718,255	\$ 587,326,947
Advances from Federal Home Loan Bank	28,420,059	29,156,547
Advance payments by borrowers for taxes and insurance	7,286,521	1,500,550
Accrued interest payable	3,342,192	3,582,668
Federal income taxes payable	292,817	291,318
Obligation for Employee Stock Ownership Plan	1,580,887	1,618,838
Due to broker	7,143,470	515,257
Other liabilities	4,529,871	4,421,512
Total Liabilities	638,294,052	628,431,637
Stockholders' equity:		
Serial preferred stock, \$0.01 par value; authorized 2,000,000 shares; issued-none	-	-
Common Stock, \$0.01 par value; authorized 10,000,000 shares; issued 2,067,869 at March 31, 1992 and December 31, 1991, respectively	20,679	20,679
Additional paid-in capital	17,321,638	17,321,638
Retained income-substantially restricted	29,825,799	28,883,215
Employee Stock Ownership Plan	(1,560,867)	(1,618,838)
Total Stockholders' Equity	45,607,249	44,606,694
Total Liabilities and stockholders' equity	\$ 683,901,301	\$ 673,038,331

See accompanying notes to consolidated financial statements

CFSB Bancorp, Inc. and Subsidiary
Consolidated Statements of Operations

	Three months ended March 31,	
	1992	1991
	(unaudited)	
Interest income:		
Loans receivable	\$ 8,673,823	\$ 10,462,066
Mortgage-backed securities	2,778,522	3,256,529
Investment securities	1,941,788	946,086
Other	326,595	565,947
Total interest income	13,920,708	15,230,608
Interest expense:		
Deposits, net	8,689,869	10,203,864
Federal Home Loan Bank advances	590,858	454,561
Total interest expense	9,280,727	10,658,425
Net interest income before provision for loan losses	4,639,981	4,572,183
Provision for loan losses	60,000	90,000
Net interest income after provision for loan losses	4,579,981	4,482,183
Other income (loss):		
Service charges and other fees	623,912	567,844
Loan servicing income	264,495	258,805
Gain on sales of investment securities, net	6,350	-
Gains on sales of loans, net	379,583	143,050
Real estate operations, net	(40,172)	(17,161)
Other, net	67,207	21,927
Total other income	1,301,375	974,465

CFSB Bancorp, Inc. and Subsidiary
Consolidated Statements of Operations

	Three months ended March 31,	
	1992	1991
	(unaudited)	
General and administrative expenses:		
Compensation, payroll taxes, and fringe benefits	2,132,416	1,979,287
Office occupancy and equipment	458,013	468,705
Federal insurance premiums	374,112	373,393
Advertising and business promotion	79,989	107,822
Data processing	372,189	355,940
Other, net	717,000	829,680
	4,133,719	4,114,827
Loan origination costs capitalized	(109,734)	(171,762)
Total general and administrative expenses	4,024,985	3,943,065
Income before federal income tax expense	1,856,371	1,513,583
Federal income tax expense	787,000	564,400
Net income	\$ 1,149,371	\$ 1,009,183
	=====	=====
Earnings per share:		
Primary	\$ 0.54	\$ 0.51
Fully diluted	0.54	0.50

See accompanying notes to consolidated financial statements

CPSB Bancorp, Inc. and Subsidiary
Consolidated Statement of Stockholders' Equity

Three months ended March 31, 1992
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Income	Commitment for ESOP Debt	Total Stockholders' Equity
Balance at December 31, 1991	\$ 20,679	\$ 17,321,638	\$ 28,863,215	\$ (1,618,838)	\$ 44,606,694
Net income	-	-	1,149,371	-	1,149,371
Cash dividends declared on common stock at \$0.10 per share	-	-	(206,787)	-	(206,787)
Principal repayment of ESOP debt	-	-	-	57,971	57,971
Balance at March 31, 1992	\$ 20,679	\$ 17,321,638	\$ 29,825,799	\$ (1,560,867)	\$ 45,607,249

See accompanying notes to consolidated financial statements

CFSB Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	\$ 1,149,371	\$ 1,009,183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	171,359	189,508
Provision for loan losses	80,000	90,000
Provision for real estate losses	15,000	9,900
Net amortization (accretion) of premiums and discounts on investment and mortgage-backed securities	447,798	(2,405)
Loan origination fees, net of costs deferred	211,355	161,971
Amortization of discounts and deferred fees on loans	(150,074)	(226,789)
Loans originated for sale	(22,344,706)	(4,638,124)
Proceeds from sales of loans originated for sale	16,876,047	3,770,715
Net gains on sales of loans and securities	(385,933)	(143,050)
Net gains on sales of real estate owned	(8,027)	(4,782)
Gain on sale of premises and equipment	(3,175)	(3,148)
Recoveries of losses	37,647	109,387
Increase in accrued interest receivable	(812,454)	(119,847)
Decrease in accrued interest payable	(240,476)	(275,769)
Increase (decrease) in federal income tax payable	1,500	(410,435)
Increase in other liabilities	80,680	179,551
Decrease in other assets	834,384	1,612,201
Capitalized additions to real estate	(4,023)	(30,456)
Net cash provided (used) by operating activities	(3,874,747)	1,268,609
Cash flows from investing activities:		
Purchases of investment securities	(60,290,261)	(19,420,153)
Proceeds from sales of investment securities	2,506,350	2,000,000
Principal repayments and maturities of investment securities	7,000,000	4,897,052
Loan originations	(13,849,767)	(14,480,691)
Proceeds from sales of loans	19,782,293	8,513,567
Principal repayments on loans	25,867,488	14,239,638
Purchases of mortgage-backed securities	(11,508,277)	(1,371,682)
Increase in due to broker	6,828,213	-
Principal repayments and maturities on mortgage-backed securities	11,066,073	3,298,287
Proceeds from sales of real estate owned	306,553	106,301
Proceeds from sale of repossessed property	-	6,000
Purchases of premises and equipment	(477,383)	(177,320)
Proceeds from sale of premises and equipment	3,175	3,148
Purchase of FHLB stock	-	(36,700)
Net cash used by investing activities	(27,125,543)	(2,631,533)

CFSB Bancorp. Inc. and Subsidiary
Consolidated Statements of Cash Flows

	March 31,	
	1992	1991
Cash flows from financing activities:		
Increase (decrease) in deposits	(1,608,692)	6,020,658
Net increase in advance payments by borrowers for taxes and insurance	5,786,971	6,476,503
FHLB advance repayments	(736,488)	(10,581)
FHLB advances	-	88,000
Dividends paid on common stock	(186,108)	-
Net cash provided by financing activities	3,254,683	12,574,580
Net increase (decrease) in cash and cash equivalents	(22,745,607)	11,211,656
Cash and cash equivalents at the beginning of period	59,615,990	25,070,833
Cash and cash equivalents at the end of period	\$ 36,870,383	\$ 36,282,489
Cash paid for:		
Interest Expense	\$ 9,521,289	\$ 10,934,193
Federal income taxes	525,000	945,035
Transfers from loans to real estate owned	153,103	789,683
Transfers from loans to repossessed property and accounts receivable	61,964	34,415

See accompanying notes to consolidated financial statements

CFSB Bancorp, Inc. and Subsidiary

Notes to Consolidated Financial Statements (unaudited)

1> Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto, for the year ended December 31, 1991, included in the Corporation's 1991 Annual Report.

2> Business Combination

On December 27, 1991, the Bank completed a merger with Union Federal Savings, a mutual savings association. In conjunction with the merger, the Corporation issued 457,769 shares of its common stock and received net proceeds from the sale of that stock of \$4,730,000.

The merger was accounted for as a pooling of interests, and accordingly, the financial statements for all periods prior to the merger except per share amounts were restated to include the accounts of Union Federal Savings and the Corporation.

3> Principles of Consolidation

The consolidated financial statements include the accounts and transactions of CFSB Bancorp, Inc. (Corporation) and its wholly-owned subsidiary, Community First Bank (the Bank), formerly Capitol Federal Savings Bank, and the Bank's wholly-owned subsidiaries, Capitol Consolidated Financial Corporation and Uni-Service, Inc. Intercompany transactions and account balances have been eliminated in consolidation.

4> Employee Stock Ownership Plan

In conjunction with the plan of conversion, the Board of Directors approved a noncontributory Employee Stock Ownership Plan ("ESOP") for substantially all employees. The ESOP acquired 140,000 and 45,776 shares of common stock in June 1990 and December 1991, respectively, for \$1,260,000 and \$595,088, respectively, financed by loans payable to a nonaffiliated bank. The Corporation does not

of financial condition, and the Corporation's obligation related to the ESOP's debt is reflected as a reduction in stockholders' equity.

The loan terms provide for quarterly payments of interest and principal at an interest rate of one percent above the prime rate until June 1998 and January 2000, respectively. The loan may be prepaid at any time in whole or in part without penalty. Dividends on shares not allocated to participants and held by the ESOP are utilized to service the ESOP's debt, and are tax-deductible by the Corporation to the extent they are utilized to repay the outstanding principal of the debt.

5> Outstanding Loan Commitments

The Corporation had total outstanding loan commitments of \$19,587,000 at March 31, 1992, of which \$4,298,000 were for adjustable rate loans and \$15,289,000 were for fixed-rate loans. The interest rate on fixed-rate loans is not determined until the approximate closing date. The Corporation had commitments to sell mortgage loans of approximately \$10.0 million at March 31, 1992. At March 31, 1992 the Corporation had no commitments to buy mortgage loans. As of March 31, 1992 approximately \$11.2 million of one- to four-family residential, fixed-rate mortgage loans were held for sale. Loans held for sale, after consideration of the aforementioned commitments, were valued at the lower of cost or market, as determined on an aggregate basis.

6> Non-accruing Loans, Other Loans of Concern and Real Estate Owned

The following table sets forth information concerning the amounts of the Bank's non-accruing loans, other loans of concern and real estate owned by category. At March 31, 1992, the Bank had no loans which were "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings."

	March 31, 1992	December 31, 1991
Non-accruing loans:		
One to four family residential mortgages	\$1,112	\$ 795
Income-producing property	436	196
FHA-partially insured and VA-partially guaranteed	663	732
Construction and development	489	-
Other	192	188
Total	<u>\$2,892</u>	<u>\$1,911</u>
Percentage of total assets	<u>.42%</u>	<u>.28%</u>
Real estate owned:¹		
One to four family residential mortgages	\$1,283	1,513
Income-producing property	2,619	2,579
Construction and development	1,355	1,324
Total	<u>5,257</u>	<u>5,416</u>
Percentage of total assets	<u>.77%</u>	<u>.81%</u>
Total non-accruing loans, other loans of concern, and real estate owned	<u>\$8,149</u>	<u>\$7,327</u>
Percentage of total assets	<u>1.19%</u>	<u>1.09%</u>

¹Real Estate Owned includes properties in redemption, acquired through foreclosure, and loan collateral which has been in-substance foreclosed.

The following is a summary of the allowance for losses on loans and real estate:

	<u>Loans</u>	<u>Real Estate</u>	<u>Total</u>
Balance, December 31, 1989	\$2,370,645	\$ 44,000	\$2,414,645
Provision for losses	620,000	-	620,000
Losses charged against the allowance	(551,860)	(19,000)	(570,860)
Recoveries	529,302	-	529,302
Balance, December 31, 1990	2,968,087	25,000	2,993,087
Provision for losses	320,000	140,400	460,400
Losses charged against the allowance	(354,817)	(140,400)	(495,217)
Recoveries	499,802	-	499,802
Balance, December 31, 1991	3,433,072	25,000	3,458,072
Provision for losses	60,000	15,000	75,000
Losses charged against the allowance	(41,503)	(18,000)	(59,503)
Recoveries	37,646	-	37,646
Balance, March 31, 1992	<u>\$3,489,215</u>	<u>\$ 22,000</u>	<u>\$3,511,215</u>

7> Interest Rate Exchange Agreements

The Corporation utilizes interest rate exchange agreements to hedge interest rate exposure on its liabilities. Counterparties to all of the agreements are primary dealers.

The fixed payment interest rate exchange agreements are summarized as follows:

Notional Amount	Fixed Rate Paid	Variable Rate Received	Maturity
\$25,000,000	9.88%	4.4375%	Sept. 15, 1992
\$ 7,000,000	8.09%	4.5625%	Dec. 22, 1993
\$15,000,000	8.36%	4.5625%	Dec. 23, 1996

Variable rate interest received on the interest rate exchange agreements is based on the three-month and six-month London InterBank Offer Rate.

8> Reclassifications

Certain prior period's financial statement amounts of the merged institutions have been reclassified to conform to the current presentation.

Management's Discussion and Analysis of Financial Condition and Results of Operations

CFSB Bancorp, Inc. ("CFSB" or "the Corporation") is a Delaware Corporation organized on November 28, 1989, for the purpose of becoming a unitary savings and loan holding company and owning all of the outstanding common stock of Capitol Federal Savings Bank, ("Capitol Federal") in connection with Capitol Federal's conversion on June 29, 1990, from a federally chartered mutual savings bank to a federally chartered stock savings bank.

On December 27, 1991, Capitol Federal completed a merger with Union Federal Savings ("Union") of Lansing, Michigan. Under the merger conversion agreement, Union converted from a mutual to a stock form of organization and simultaneously merged with and into Capitol Federal. The resulting institution operates under the name Community First Bank, A Federal Savings Bank ("Community First" or the "Bank"). As part of the merger, the Corporation sold 457,769 shares of common stock at \$13.00 per share. The gross proceeds received from the sale of stock were \$5,951,000. Costs and expenses related to the sale were \$1,221,000. The merger/conversion has been accounted for as a pooling-of-interests. Accordingly, the financial information for periods prior to the merger, except per share amounts, has been restated to include the accounts of Union and CFSB.

Financial Condition

Total assets at March 31, 1992 were \$683.9 million as compared to \$673.0 million at December 31, 1991, an increase of \$10.9 million or 1.62%. Investment securities totaled \$137.5 million at March 31, 1992 compared to \$87.0 million at December 31, 1991. The increase in investment securities was primarily due to the purchase of \$60.3 million of Corporate Notes and U.S. Treasuries Notes. These purchases were funded from the sale of \$27.4 million of fixed-rate mortgages, approximately \$22.6 million of interest earning deposits, a \$5.8 million increase in advance payments by borrowers for taxes and insurance and a \$6.6 million increase in

due to brokers. Additionally, these proceeds were used to fund a deposit outflow and repayment of Federal Home Loan Bank advances of \$1.6 million and \$736,000, respectively. A call provision was exercised on \$2.5 million of corporate notes which resulted in a \$6,350 pre-tax gain to the Corporation. Also during the period ended March 31, 1992, \$11.5 million of mortgage-backed securities were purchased.

The investment securities portfolio at March 31, 1992 totaled \$137.5 million. The unrealized net gain on the portfolio of \$636,000 was composed of gross gains of \$1.1 million on \$87.5 million of securities and gross losses of \$513,000 on \$50.0 million of securities. The Corporation's portfolio of mortgage-backed securities totaled \$136.6 million at March 31, 1992 and had a net unrealized gain of \$282,000. The unrealized net gain consisted of gross gains in the amount of \$1.1 million on \$74.7 million of securities and gross losses of \$835,000 on \$61.9 million of securities.

The Corporation has the ability and it is management's intention to hold its portfolios of investment and mortgage-backed securities to maturity; therefore, all such assets are stated at amortized cost. The Corporation's regulatory liquidity ratios at March 31, 1992 and December 31, 1991 were 23.52% and 24.25%, respectively.

The one-year GAP, which represents the difference between interest-earning assets which mature or reprice within one year, and interest-bearing liabilities which mature or reprice within one year, at March 31, 1992 was substantially unchanged at approximately 1% compared to December 31, 1991.

The capital requirements as prescribed by FIRREA and presently set forth by the Office of Thrift Supervision ("OTS") must be fully phased in on December 31, 1992. It is proposed that the current regulations establishing capital requirements will be revised in the near future, resulting in increased leverage and risk-based capital requirements. The core capital requirement may be revised

from 3 percent to a minimum of 4 percent or 5 percent. The core capital and/or risk-based capital requirements are expected to incorporate an interest rate risk component. The actual increases and the phase-in period, if any, are not currently known. Community First Bank, CFSB Bancorp, Inc.'s subsidiary, met all the fully phased in regulatory capital requirements under FIRREA at March 31, 1992. The Bank's tangible, core and risk-based capital ratios were 6.79%, 6.79% and 12.28%, respectively, at March 31, 1992.

**Result of Operations for the Three Months Ended
March 31, 1992 compared to the Three Months Ended March 31, 1991**

Net income for the three months ended March 31, 1992 was \$1.1 million compared to \$1.0 million for the three months ended March 31, 1991. The \$140,000 increase was primarily due to increased net interest income and other income.

Net interest income before provision for loan losses was \$4.64 million for the three months ended March 31, 1992, compared to \$4.57 million for the same period in 1991. The increase of 1.48% in net interest income resulted principally from growth in the Corporation's net interest-earning assets primarily as a result of receipt of net proceeds of \$4.7 million from the sale of common stock in connection with the merger conversion. Partially offsetting the increased net interest income due to growth of net earning assets was the reinvestment of significant loan repayments into investment securities which inherently earn lower yields.

The Provision for Loan Losses was \$60,000 for the three months ended March 31, 1992 as compared to \$90,000 for the three months ended March 31, 1991. The decrease in the provision was primarily a result of management's evaluation of the adequacy of the allowance for loan losses including consideration of recoveries of loans previously charged off, the perceived risk exposure among loan types, actual loss experience, delinquency rates, current

economic conditions, reduction in size of the overall portfolio and other relevant factors. The Bank's allowance for loan losses as a percent of total loans at March 31, 1992 was 1.03% compared to 0.91% at December 31, 1991 and 0.74% at March 31, 1991. The Bank's level of non-performing assets as a percentage of total assets increased from 1.09% at December 31, 1991 to 1.19% at March 31, 1992. The increase is principally the result of three loans which were placed on nonaccrual status during the first quarter of 1992. These loans consisted of two construction and development loans totalling \$486,000 for which foreclosure proceedings have begun and one income-producing loan amounting to \$327,000. Management believes that losses incurred, if any, would be covered by the Bank's general loan loss reserve.

The Bank's other income increased by \$327,000 or 33.55% to \$1.3 million for the three months ended March 31, 1992. This was primarily due to an increase of \$237,000 from non-recurring gains on the sale of fixed-rate mortgages to FHLMC and FNMA from \$143,000 in 1991 to \$380,000 during the same period in 1992. In addition, an increase in fees of \$65,000 resulted from mortgage loans originated for correspondent banks. Also, an increase in fee income resulted from the implementation of new fees and service charges.

General and administrative expenses for the three months ended March 31, 1992 increased \$82,000 or 2.08% from \$3.9 million to \$4.0 million compared to the same period in 1991. The increase was principally the result of increased compensation, payroll taxes and fringe benefits of \$153,000 primarily due to managing surplus personnel levels created by combining operations of two previously separate institutions.

In December 1990 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106).

SFAS 106 requires the costs of providing such benefits be recognized over the employee's service period. The outstanding obligation as of the date of implementation of the statement may be recognized immediately or on a delayed basis. Implementation of SFAS 106 is required for fiscal years beginning after December 15, 1992. The Bank has not determined the method by which the outstanding obligation will be recognized nor has the Bank quantified the impact of implementation, but it is expected to result in an increase in the annual cost to the Corporation.

Federal income tax expense increased from \$504,000 to \$707,000 for the three months ended March 31, 1991 and 1992 respectively. The increase is primarily due to pre-tax income of \$1.9 million for the three months ended March 31, 1992 compared to \$1.5 million for the same period in 1991.

In February 1992 the FASB issued Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"), which supersedes Statement of Financial Accounting Standards No. 96, *Accounting for Income Taxes* ("SFAS 96"). The Bank currently accounts for income taxes under Accounting Principles Board Opinion No. 11 ("APB 11"), having elected not to adopt SFAS 96 prior to its required effective date. SFAS 109 will change the Bank's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pre-tax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

SFAS 109 is effective for fiscal years beginning after December 15, 1992, and earlier adoption is permitted. SFAS 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations. The Bank has determined it will adopt SFAS 109 on a prospective basis in the first quarter of 1993. The Bank has not yet quantified the impact of implementing SFAS 109; however, its impact is not expected to be material to the Bank's financial condition.

CFSE Bancorp, Inc. and Subsidiary

PART II

OTHER INFORMATION

- | | |
|---------|--|
| Item 1. | Legal Proceedings |
| | None |
| Item 2. | Changes in Securities |
| | None |
| Item 3. | Defaults in Senior Securities |
| | None |
| Item 4. | Submission of Matters to a Vote
of Security Holders |
| | None |
| Item 5. | Other Information |
| | None |
| Item 6. | Exhibits and Reports on Form 8-K |
| | No reports were filed on Form 8-K |

CFSB BANCORP, INC.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CFSB BANCORP, INC.

By: Robert H. Becker
Robert H. Becker
President and
Chief Executive Officer

By: John W. Abbott
John W. Abbott
Executive Vice President
Chief Operating Officer and
Chief Financial Officer

Dated: May 12, 1992

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992
Commission File No. 2-97297

State First Financial Corporation

(Exact name of Registrant as specified in its charter)

Arkansas 71-0598867

(State of incorporation) (IRS Employer Identification Number)

300 Olive Street, State Line Plaza,
Texarkana, Arkansas 75502

(Address of principal executive offices) (Zip Code)

(501) 773-4541

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

As of April 30, 1992, the Registrant had outstanding 1,158,439 shares of its \$10 par value common stock, Registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-Q

Part I - Financial Information

Incorporated Documents

Pages 3-9 inclusive of
Registrant's 1992 First
Quarter Report

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Part I - Financial Information

The following unaudited consolidated financial statements, including management's discussion and analysis of financial condition and results of operations set forth on pages 3 through 9 inclusive of the First Quarter 1992 Stockholders' Report as of and for the three months ended March 31, 1992 are incorporated herein by reference.

	Page
Consolidated Balance Sheets -- March 31, 1992, December 31, 1991 and March 31, 1991	3
Consolidated Statements of Income -- Three months ended March 31, 1992 and 1991	4
Consolidated Statements of Stockholders' Equity -- Three months ended March 31, 1992 and 1991	5
Consolidated Statements of Cash Flows -- Three months ended March 31, 1992 and 1991	6
Notes to Consolidated Financial Statements	7
Management's Discussion and Analysis of Financial Condition and Results of Operations	8-9

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K	2
Signatures	3

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K have been filed with the Securities and Exchange Commission during the quarter ended March 31, 1992. The Exhibit filed as part of this report is listed below.

Exhibit No.

1

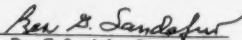
Description

Quarterly Report to Shareholders-
Quarter Ended March 31, 1992 *

* Found on page 4 of this report

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.


Ben G. Sandefur, Chairman and
Chief Executive Officer
(Duly Authorized Officer)

Date: May 5, 1992

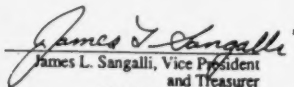

James L. Sangalli, Vice President
and Treasurer
(Chief Financial Officer)

Exhibit 1
Quarterly Report to Shareholders
March 31, 1992

First Quarter 1992



State First Financial Corporation

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State First Financial Corporation Directors & Officers

Directors

Truman Arnold
Chairman of the Board,
The Arnold Companies, Inc.

Harvey Ashford
Investments

Mrs. T.A. Clark, Jr.
Investments

James G. Collins
Investments

George W. Crank
Investments

Bill I. Crutchfield
Chairman of the Board,
American National Bank

Jerry L. Day
Day Farms

Harold M. Dodds, Jr.
Investments

Paul Hardy
Investments

Earl M. Jones
Investments

Frederick E. Joyce, M.D.
President,
Chappell-Joyce Pathology Association

Edward Miller
Attorney

Henry Moore, III
Investments

Gloria J. Moores
Secretary to the Board
Retired Executive Vice President

Herbert L. Murray
President,
Murray, Thomas and Griffin, Inc.

Carl M. Nelson
President,
Texarkana College

Howard M. Qualls
President

Ben G. Sandefur
Chairman of the Board

Officers

Ben G. Sandefur
Chairman of the Board

Howard M. Qualls
President

Bill I. Crutchfield
Vice Chairman of the Board

Douglas E. Barber
Vice President, Investments

M. Jo Herring
Vice President, Human Resources

Dennis P. Landreaux
Vice President & Director of Marketing

Nancy J. Rankin
Vice President & Director of
Auditing & Compliance

James L. Sangalli
Vice President & Treasurer

Lynda A. Williams
Vice President, Operations

Laurie Y. Burgess
Loan Review Officer

Billy W. Pike, CICO
Compliance Officer

Subsidiaries

The State First National Bank of Texarkana
American National Bank of Texarkana
First National Bank in Ashdown
Atlanta National Bank
Commercial Investment Company

Chairman's Letter

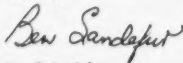
In my address to the shareholders of State First Financial Corporation at the annual stockholders meeting, I set out some goals that we expect to accomplish over the next five-year period. These goals are simple, straightforward and aggressive. By the end of the year 1997, State First Financial Corporation will have grown to exceed \$1,000,000,000 in total assets and will earn at least \$10,000,000 in net profits. We will accomplish this growth through a combination of internal growth and acquisitions. We have already taken several steps to help us accomplish these goals. First, I have moved my office from the first floor lobby to a new office on the fourth floor of our main office. This move will allow me to spend much more of my time evaluating possible growth opportunities. The President & CEO of our lead bank, Howard M. Qualls, has completed his move into my former office. I am also pleased to announce that Lloyd C. Champion, Jr. has moved from American National Bank to assume his new duties as Executive Vice President of State First National Bank. Lloyd's new responsibilities will include the management of the credit function at State First National Bank. Lloyd's new office will be on the lobby floor and is the office formerly occupied by Howard. I would like to invite each one of you to drop by and visit us in our new offices.

The second step toward accomplishing our goals occurred on March 27, when State First National Bank acquired a new branch in Hope, Arkansas. State First National Bank was the successful bidder on the branch, which was owned by Home Federal Savings Association of Kansas City. The branch was officially closed by the Resolution Trust Corporation (RTC) on Friday, March 27, and reopened for business on Monday, March 30 as the newest branch of State First National Bank. Our new branch has in excess of \$20,000,000 in deposits, and we are extremely pleased to be a competitor in the Hope-Hempstead County marketplace.

State First Financial Corporation had excellent operating results in the first quarter of 1992. Our growth, which was fueled in part by our new acquisition in Hope, was particularly impressive. Our total assets increased \$44,973,000 and ended the first quarter at \$625,758,000. This represents an increase of 7.74% in total assets. Our total deposits increased \$41,067,000 and stood at \$563,453,000 on March 31, 1992. This is an increase of 7.86% over last year's results. Net income for the first quarter is an equally impressive \$1,526,000 which represents an increase of \$203,000, or 15.34%, over last year's results. Your total stockholders' equity ended the first quarter at \$58,310,000, up from \$54,666,000 in March 1991.

I am very optimistic about 1992 and the economy of Texarkana and the surrounding area. There have been many positive developments in our local economic picture - Interstate 49 and the recently announced Texas state prison in New Boston, just to name a few. Construction will begin this spring on a new \$130 million hospital facility for St. Michael Hospital. The economic recession of the past year has proved very difficult for some parts of the country, but Texarkana and the surrounding area have weathered it very well. We are poised, in good position, to move forward in the coming economic recovery. I fully expect 1992 to be an excellent year for State First Financial Corporation. We will continue to provide quality financial services to our present customer base. We will not forget that it is the confidence that our present customers have placed in us that has made us what we are today. At the same time, we will be aggressively seeking new customers in new markets. It is these customers that will help us to accomplish our growth and income goals over the next five years. We would like to have the opportunity to prove to our new customers that State First Financial Corporation is truly a place "where futures begin."

Sincerely,



Ben G. Sandefur
Chairman of the Board

Consolidated Balance Sheets

State First Financial Corporation and Subsidiaries
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	March 31, 1991	December 31, 1991
Assets			
Cash and due from banks	\$ 34,536	30,582	33,167
Interest bearing deposits in banks	200	500	200
Investment securities (note 2)	258,360	214,602	239,787
Federal funds sold and securities purchased under agreements to resell	40,499	39,211	34,381
Loans, total	283,725	291,681	288,637
Unearned discount	(9,454)	(13,479)	(10,459)
Allowance for loan losses (note 3)	(5,352)	(4,401)	(4,966)
Loans, net	268,919	273,801	273,212
Bank premises and equipment, net	9,723	8,062	9,590
Accrued income and other assets	13,521	14,027	13,632
Total assets	\$ 625,758	580,785	603,969
Liabilities and Stockholders' Equity			
Deposits:			
Non-interest bearing	\$ 62,438	69,774	65,447
Interest bearing	501,015	452,612	477,380
Total deposits	563,453	522,386	542,827
Accrued expenses and other liabilities	3,457	3,240	3,484
Minority interest in subsidiary	538	493	527
Total liabilities	567,448	526,119	546,838
Stockholders' equity:			
Common Stock, par value of \$10 per share.			
Authorized 5,000,000 shares,			
Issued 1,171,000 shares	11,710	11,710	11,710
Surplus	10,096	10,096	10,096
Retained earnings	37,057	33,081	35,878
Treasury stock, at cost, 12,561 shares in 1992, 5,036 shares at March 31, 1991, and 12,561 shares at December 31, 1991	(553)	(221)	(553)
Total stockholders' equity	58,310	54,666	57,131
Total liabilities and stockholders' equity	\$ 625,758	580,785	603,969

See notes to consolidated financial statements.

Consolidated Statements of Income

State First Financial Corporation and Subsidiaries
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Interest income:		
Interest and fees on loans	\$ 6,878	7,714
Interest on investment securities:		
Taxable securities	3,467	3,552
Tax-exempt securities	817	587
Interest on Federal funds sold and securities purchased under agreements to resell	357	651
Interest on deposits in banks	2	13
Total interest income	11,521	12,517
Interest expense:		
Interest on deposits	5,715	7,167
Interest on Federal funds purchased and securities sold under agreements to repurchase	—	3
Total interest expense	5,715	7,170
Net interest income	5,806	5,347
Provision for loan losses (note 3)	433	452
Net interest income after provision for loan losses	5,373	4,895
Non-interest income:		
Service charges on deposit accounts	503	410
Trust income	205	204
Gains (losses) on securities transactions	(90)	2
Other income	595	628
Total non-interest income	1,213	1,244
Non-interest expense:		
Salaries and employee benefits	2,307	2,180
Net occupancy expense	255	241
Furniture and equipment expense	188	198
Other expense	1,991	1,847
Total non-interest expense	4,741	4,466
Income before income taxes	1,845	1,673
Income tax expense	319	350
Net income	\$ 1,526	1,323
Net income per share	\$ 1.32	1.13
Weighted average shares	1,158,439	1,166,363
Dividends per share	\$ 0.30	0.30

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

State First Financial Corporation and Subsidiaries
(Dollars in Thousands)
(Unaudited)

	Common stock	Surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balances, December 31, 1990	\$ 11,710	10,096	32,108	(196)	53,718
Net income			1,323		1,323
Cash dividends			(350)		(350)
Purchase of treasury stock				(25)	(25)
Balances, March 31, 1991	<u>11,710</u>	<u>10,096</u>	<u>33,081</u>	<u>(221)</u>	<u>54,666</u>
Net income			4,187		4,187
Cash dividends			(1,390)		(1,390)
Purchase of treasury stock				(332)	(332)
Balances, December 31, 1991	<u>11,710</u>	<u>10,096</u>	<u>35,878</u>	<u>(553)</u>	<u>57,131</u>
Net income			1,526		1,526
Cash dividends			(347)		(347)
Balances, March 31, 1992	<u>\$ 11,710</u>	<u>10,096</u>	<u>37,057</u>	<u>(553)</u>	<u>58,310</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

State First Financial Corporation and Subsidiaries

(Dollars in Thousands)

(Unaudited)

	Three months ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income	\$ 1,526	1,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	159	176
Provision for loan loss	433	452
Minority interest in subsidiary	22	16
Loss (gain) on sale of securities	90	(2)
Net discount accretion (premium amortization) on investments	237	1
Decrease (increase) in interest receivable and other assets	(9)	(500)
Increase (decrease) in accrued expenses and other liabilities	(248)	284
Net cash provided by operating activities	2,210	1,750
Cash flows from investing activities:		
Proceeds from maturities of interest bearing deposits in banks	—	600
Purchase of interest bearing deposits in banks	—	(300)
Net decrease (increase) in federal funds sold and securities purchased under agreements to resell	(6,118)	6,015
Maturities of investment securities	26,933	22,046
Sales of investment securities	1,675	5,699
Purchase of investment securities	(47,508)	(40,415)
Net decrease (increase) in loans	3,762	160
Purchase of bank premises and equipment	(283)	(42)
Proceeds from sale of other real estate	419	414
Net cash provided (used) in investing activities	(21,120)	(5,823)
Cash flows from financing activities:		
Net increase (decrease) in non-interest bearing deposits	(3,009)	1,045
Net increase (decrease) in interest bearing deposits	23,635	6,509
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	—	(300)
Treasury stock purchased	—	(25)
Dividends paid	(347)	(350)
Net cash provided (used) in financing activities	20,279	6,879
Net increase (decrease) in cash and cash equivalents	1,369	2,806
Cash and cash equivalents at the beginning of the year	33,167	27,776
Cash and cash equivalents at end of the period	\$ 34,536	30,582
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 5,858	7,272
Income taxes	—	125

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

State First Financial Corporation and Subsidiaries
(Unaudited)

(1) Accounting and Reporting Policies

The accounting and reporting policies of State First Financial Corporation and Subsidiaries ("the Company") conform to generally accepted accounting principles. The consolidated financial statements include the accounts of State First Financial Corporation ("the Parent") and all subsidiaries, which are The State First National Bank of Texarkana, American National Bank of Texarkana, First National Bank in Ashdown, Atlanta National Bank and Commercial Investment Company. All significant intercompany accounts and transactions have been eliminated.

The significant accounting policies followed in the preparation of the consolidated financial statements are the same as disclosed in the 1991 Annual Report. Reference is made to the Annual Report for additional accounting and reporting policies disclosure.

(2) Investment Securities

(Dollars in Thousands)

	March 31, 1992	March 31, 1991	December 31, 1991
U.S. Treasury securities	\$ 64,229	70,780	66,231
U.S. Government agency obligations ..	122,630	98,569	106,747
Obligations of states and political subdivisions	61,928	33,243	56,725
Other securities ..	9,573	12,010	10,084
	<u>\$ 258,360</u>	<u>214,602</u>	<u>239,787</u>

(3) Allowance for Loan Losses

A summary of changes in the allowance for loan losses follows (dollars in thousands):

	Three months ended	
	March 31, 1992	March 31, 1991
Balance, beginning of period	\$ 4,966	4,254
Provision for loan losses	433	452
	<u>5,399</u>	<u>4,706</u>
Loans charged-off	(238)	(521)
Recoveries, previously charged-off	191	216
Net charge-offs	<u>(47)</u>	<u>(305)</u>
Balance, end of period	<u>\$ 5,352</u>	<u>4,401</u>

Nonaccrual loans totaled approximately \$2,028,000 at March 31, 1992 compared to approximately \$3,467,000 at March 31, 1991.

Management's Discussion and Analysis of Financial Condition and Results of Operations

State First Financial Corporation and Subsidiaries (Unaudited)

Performance Summary

Net income for the first three months of 1992 was \$1,526,000, an increase of \$203,000 or 15.34% over the same period in 1991. Return on average assets for the first three months of 1992 was 1.02% compared to 0.93% for the first three months of 1991. Return on average stockholders' equity for the first three months of 1992 was 10.63% compared to 9.87% for the first three months of 1991.

The primary components of income and expense which affect earnings are net interest income, provision for loan losses, non-interest income and non-interest expense. The significant changes in these components are further described in the following discussion.

Net Interest Income

Net interest income for 1992 increased primarily as a result of a 20.29% decrease in interest expense. For the first three months of 1992, interest income decreased \$996,000 or 7.96% (\$881,000 or 6.87% on a tax equivalent basis) and interest expense decreased \$1,455,000 or 20.29% from the same period in 1991, resulting in a net interest income increase of \$459,000 or 8.58% (\$574,000 or 10.14% on a tax equivalent basis).

Interest Income and Earning Assets

Average interest earning assets have increased over the same period in 1991 while yields decreased. For the first three months of 1992, interest income decreased \$996,000 or 7.96% (\$881,000 or 6.87% on a tax equivalent basis).

A decrease of 2.36% in average loans and a decrease of 1.08% in yields has resulted in a decrease in interest income from loans. Interest income from loans for the first three months of 1992 decreased \$836,000 or 10.84% from the same period in 1991.

Total average investments have increased 17.31% over the same period in 1991 with average taxable investments increasing 7.33% and average non-taxable investments increasing 75.35%. Interest income from investments for the first three months of 1992 increased \$145,000 or 3.50% (\$263,000 or 5.92% on a tax equivalent basis) over the same period in 1991.

Interest income from Federal funds sold and securities purchased under agreements to resell for the first three months of 1992 decreased \$294,000 or 45.16% from the same period in 1991 due to a decrease of 15.65% in average balances and a 2.36% decrease in yields.

Interest on deposits in banks for the first three months of 1992 decreased by \$11,000 or 84.62 from the same period in 1991 due to a decrease in average balances and declining yields.

Interest Expense and Related Liabilities

Average interest bearing liabilities have increased 6.10% over the same period in 1991, but rates have decreased. For the first three months of 1992, interest expense decreased \$1,455,000 or 20.29% from the same period in 1991 due to this decrease in rates.

Interest on deposits for the first three months of 1992 decreased \$1,452,000 or 20.26% from the same period in 1991 due to a 1.66% decrease in rates partially offset by a 6.14% increase in average balances.

Interest on Federal funds purchased and securities sold under agreements to repurchase for the first three months of 1992 decreased \$3,000 or 100.00% from the same period in 1991 due to a 100.00% decrease in average balances.

Provision for Loan Losses

Provision for loan losses for the first three months of 1992 of \$433,000 is a \$19,000 decrease from the first three months of 1991. Net charge-offs on loans were \$47,000 for the first three months of 1992 and \$305,000 for the same period in 1991. Net charge-offs were not significantly related to any particular industry.

The allowance for loan losses as a percent of loans less unearned discount was 1.95% on March 31, 1992, 1.58% on March 31, 1991 and 1.79% on December 31, 1991.

Management's Discussion and Analysis of Financial Condition and Results of Operations

State First Financial Corporation and Subsidiaries (Unaudited)

Non-Interest Income

Non-interest income for the first three months of 1992 was \$1,213,000, a 2.49% decrease from the same period in 1991. Service charges on deposit accounts increased \$93,000, trust income increased \$1,000, gains on securities transactions decreased \$92,000 and other income decreased \$33,000.

Non-Interest Expense

Non-interest expense for the first three months of 1992 was \$4,741,000, a 6.16% increase over the same period in 1991. Salaries increased \$83,000 and employee benefits increased \$44,000. Net occupancy expense increased \$14,000. Furniture and equipment expense decreased \$10,000, and other expense increased \$144,000.

Liquidity

The purpose of liquidity is to satisfy the cash flow requirements of depositors and borrowers and to take advantage of investment opportunities as they arise, while avoiding large unfavorable fluctuations in maturities and rates. Liquidity is provided primarily by short-term investments and maturing investment securities and loans.

Liquid assets include U.S. government and Federal agency securities, Federal funds sold and securities purchased under agreements to resell, and interest bearing deposits in banks. Shown below are the market values of these investments (dollars in thousands):

	March 31, 1992	March 31, 1991	December 31, 1991
U.S. government and Federal agency securities . . .	\$ 189,459	170,303	178,429
Federal funds sold and securities purchased under agreements to resell	40,499	39,211	34,381
Interest bearing deposits in banks	200	500	200

Investment securities and loans, excluding installments, with maturities of one year or less at the end of the current quarter and the last fiscal year are as follows (dollars in thousands):

	March 31, 1992		December 31, 1991	
	Amount	Percent of total	Amount	Percent of total
Investment securities	\$ 64,675	25.03%	\$ 68,419	28.53%
Loans (excluding installments)	103,652	46.31%	87,473	39.52%

Liquidity continues to provide adequate funds to meet current operating needs and future commitments.

Capital Resources

The ratio of stockholders' equity to assets was 9.32% on March 31, 1992 and 9.46% on December 31, 1991. The ratio of primary capital (stockholders' equity plus allowance for loan losses plus minority interest in consolidated subsidiaries) to assets plus allowance for loan losses was 10.17% on March 31, 1992 and 10.28% on December 31, 1991.

Income Taxes

For the first three months of 1992, income taxes decreased \$31,000 from the same period in 1991 due to a decrease in taxable income.

The State First National Bank of Texarkana Officers

Ben G. Sandefur
Chairman of the Board

Nancy A. Harris
Administrative Assistant to the Chairman

Howard M. Qualls
President

Barbara Garrett
Administrative Assistant to the President

Lloyd C. Champion, Jr.
Executive Vice President

Senior Vice Presidents

Douglas E. Barber

Shirley C. Clark

J. Michael Cross

M. Jo Herring

Deborah R. Moore

James L. Sangalli, Cashier

M. Jeff Shirley, Jr.

Lynda A. Williams

Vice Presidents

S.D. Dickens

E. Lucille Hawkins

Melba J. Middleton

Joe D. Nichols

Robert M. Sanderson

Jerry W. Turney

R. Tim White

Assistant Vice Presidents

Joe E. Anderson

Laurie Y. Burgess

Hayden M. Coe, Jr.

John L. Dalby

Michael E. Falls

Nelda Grant

Tina R. Green

James M. Handy

Gayle Logan

Al Penton, III, Security Officer

Barbara A. Powell

Larue Prewitt

Shirley A. Sharp

Alice M. Snyder

Richard A. Threet

E. Maurine Towns

Edna F. Wilson

Banking Officers

Nan Carol Adkins

Operations Officer

Judith A. Hill

Branch Officer

Kay McConkey

Credit Card Officer

Linda J. McGregor

Branch Officer

Mary Ann Norton

Loan Administration Officer

Mark R. Reavis

Consumer Loan Officer

Sydney S. Westbrook

Accounting Officer

B. Sallye Young

Operations Officer

Controller

David Chas. Adams, CPA
Vice President

Marketing Department

Dennis P. Landreaux
Senior Vice President & Director of Marketing
Sharon S. Crumpton
Marketing Officer

Auditing & Compliance Department

Nancy J. Rankin
Senior Vice President & Director of
Auditing & Compliance
Sharon Pace, CBA
Assistant Vice President & Auditor
Billy W. Pike, CBCO
Vice President & Compliance Officer

Trust Division

Gregory S. Torrance, CTFA
Senior Vice President & Trust Officer
James Pat Bell
Brenda S. Shirley
Vice Presidents & Trust Officers
Elizabeth G. Anthony
Trust Officer
Albert A. Melde, Jr.
Diane M. Youngblood
Assistant Trust Officers

Condensed Financial Information and Directors*

The State First National Bank of Texarkana
(Dollars in Thousands)
(Unaudited)

Condensed Balance Sheets

	March 31, 1992	March 31, 1991
Assets		
Cash and due from banks	\$ 31,151	27,796
Investment securities	164,504	135,260
Federal funds sold	33,374	22,461
Loans, net	177,175	183,125
Other assets	13,158	12,779
Total assets	\$ 419,362	381,421
Liabilities and Stockholders' Equity		
Deposits	\$ 378,977	342,864
Other liabilities	2,145	1,943
Total liabilities	381,122	344,807
Stockholders' equity	38,240	36,614
Total liabilities and stockholders' equity	\$ 419,362	381,421

Condensed Statements of Income

Interest income	\$ 7,317	8,124
Interest expense	3,631	4,549
Net interest income	3,686	3,575
Provision for loan losses	309	307
Non-interest income	1,123	1,069
Non-interest expense	3,305	3,237
Income tax expense	223	245
Net income	\$ 972	855

*Balances have not been reduced for intercompany activity.

Directors

Truman Arnold
Chairman of the Board,
The Arnold Companies, Inc.

Harvey Ashford
Investments

Lloyd C. Champion, Jr.
Executive Vice President

Mrs. T.A. Clark, Jr.
Investments

James G. Collins
Investments

George W. Crank
Investments

Bill I. Crutchfield
Chairman of the Board,
American National Bank

Jerry L. Day
Day Farms

Harold M. Dodds, Jr.
Investments

Paul Hardy
Investments

Earl M. Jones
Investments

Frederick E. Joyce, M.D.
President,
Chappell-Joyce Pathology Association

Edward Miller
Attorney

Henry Moore, III
Investments

Gloria J. Moores
Secretary to the Board
Retired Executive Vice President

Herbert L. Murray
President,
Murray, Thomas and Griffin, Inc.

Carl M. Nelson
President,
Texarkana College

Howard M. Qualls
President

Ben G. Sandefur
Chairman of the Board

American National Bank of Texarkana Directors & Officers

Directors

Bill I. Crutchfield
President & Chairman of the Board

Harold M. Dodds, III
President,
Texarkana Concrete Products, Inc.

James A. Duffer
Owner,
New Boston Concrete

Murray L. James
Chairman of the Board,
M. L. James Construction Co.

Worth L. Matteson, III
Owner,
Matteson Farms

Herbert L. Murray
President,
Murray, Thomas and Griffin, Inc.

Howard M. Qualls
President,
State First Financial Corporation

Ben G. Sandefur
Chairman of the Board,
State First Financial Corporation

C. Jack Smith, M.D.
Physician,
Colom & Carney Clinic

Officers

Bill I. Crutchfield
President & Chairman of the Board

Jane E. Walton
Assistant Vice President &
Administrative Assistant to the Chairman

Marcy Bunn
Assistant Vice President &
Administrative Assistant to the President

Rick L. Wisdom
Executive Vice President

Lana Rehkopf
Senior Vice President & Cashier

Jay W. Cowan
Vice President

Burney Jones, Jr.
Vice President & Security Officer

Jerry Buffington
Assistant Vice President

Debbie Flowers
Assistant Vice President

Flora Jenkins
Assistant Vice President

Priscilla Thompson
Assistant Vice President

Vicki Aulds
Loan Administration Officer

Kenneth Early
Loan Review Officer

George Merrill
Loan Officer

Condensed Financial Information*

American National Bank of Texarkana
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	March 31, 1991
Condensed Balance Sheets		
Assets		
Cash and due from banks	\$ 7,264	4,669
Investment securities	40,369	36,423
Federal funds sold	3,600	6,600
Loans, net	43,293	39,072
Other assets	4,335	3,125
Total assets	\$ 98,861	89,889
Liabilities and Stockholders' Equity		
Deposits	\$ 89,478	81,376
Other liabilities	848	606
Total liabilities	90,326	81,982
Stockholders' equity	8,535	7,907
Total liabilities and stockholders' equity	\$ 98,861	89,889
Condensed Statements of Income		
Interest income	\$ 1,897	1,945
Interest expense	939	1,164
Net interest income	958	781
Provision for loan losses	33	60
Non-Interest income	117	106
Non-Interest expense	703	552
Income tax expense	80	47
Net income	\$ 259	228

*Balances have not been reduced for intercompany activity.

First National Bank in Ashdown Directors & Officers

Directors

Ray Bell
President

Duke Douglas, D.D.S.
Dentist

H.H. Kaufman
Investments

Jim Mounts
Owner,
Smith & Mounts Realty, Inc.

James F. Patterson
Owner,
Uniglobe All Seasons Travel

Ben G. Sandefur
Chairman of the Board,
State First Financial Corporation

Joe G. Shelton, Jr., M.D.
Physician

J.H. Welch, Jr.
Insurance

Officers

Ray Bell
President

Jim Thomas
Senior Vice President

Kathy Adkison
Vice President

Cecilia Abney
Cashier

Debbie Pounds
Loan Administration Officer

Cecile Sams
Operations Officer

Lynn Sellers
Operations Officer

Brenda Sneed
Customer Service Officer

Annie Turner
Operations Officer

Condensed Financial Information*

First National Bank in Ashdown
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	March 31, 1991
Condensed Balance Sheet		
Assets		
Cash and due from banks	\$ 2,610	1,857
Investment securities	14,719	10,181
Federal funds sold	600	5,200
Loans, net	32,731	31,912
Other assets	1,465	1,519
Total assets	\$ 52,125	50,669
Liabilities and Stockholders' Equity		
Deposits	\$ 46,492	45,511
Other liabilities	477	426
Total liabilities	46,969	45,937
Stockholders' equity	5,156	4,732
Total liabilities and stockholders' equity	\$ 52,125	50,669
Condensed Statements of Income		
Interest income	\$ 1,149	1,204
Interest expense	525	662
Net interest income	624	542
Provision for loan losses	91	85
Non-interest income	90	87
Non-interest expense	366	338
Income tax expense	52	51
Net income	\$ 205	155

*Balances have not been reduced for intercompany activity.

Atlanta National Bank Directors & Officers

Directors

W. Russell Alexander
President,
Alexander Funeral Home, Inc.

L.F. Allday, III
Realtor

L. Clary Anthony, Jr.
Division Manager,
Anthony Forest Products

Millard E. Aud
President & Chairman of the Board

J. Dan Nichols, Jr., M.D.
Physician

E. Stephen Oden*
Attorney

William M. Runnels
Engineer,
Texas Highway Department

Ben G. Sandefur
Chairman of the Board,
State First Financial Corporation

*Advisory Director

Officers

Millard E. Aud
President & Chairman of the Board

Glen M. Cason
Senior Vice President

Betty Loper
Senior Vice President & Cashier

Judy W. Lanier, CPA
Vice President & Controller

Robert D. Rouse
Vice President

Nelda Thomas
Vice President

Linda Whitley
Assistant Vice President

Freda Rice
Assistant Cashier

Jerry Adcock
Loan Administration Officer

Shelia Baugus
Loan Officer

Martha Glass
Operations Officer

Condensed Financial Information*

Atlanta National Bank
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	March 31, 1991
Condensed Balance Sheets		
Assets		
Cash and due from banks	\$ 2,816	3,546
Investment securities	37,144	32,235
Federal funds sold	2,925	4,950
Loans, net	15,236	19,231
Other assets	4,128	3,903
Total assets	\$ 62,249	63,865
Liabilities and Stockholders' Equity		
Deposits	\$ 57,760	59,892
Other liabilities	301	385
Total liabilities	58,061	60,277
Stockholders' equity	4,188	3,588
Total liabilities and stockholders' equity	\$ 62,249	63,865
Condensed Statements of Income		
Interest income	\$ 1,143	1,227
Interest expense	619	795
Net interest income	524	432
Provision for loan losses	—	—
Non-interest income	89	90
Non-interest expense	428	442
Income tax expense	—	—
Net income (loss)	\$ 185	80

*Balances have not been reduced for intercompany activity.

State First Financial Corporation

300 Olive Street

Box 8000 State Line Plaza

Fayetteville, Arkansas 72702



State First Financial Corporation

0 2554

Q 355608



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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

MAR 16 1992

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934.

92-2248

For Quarter Ended January 31, 1992

Commission File Number 0-8877

CREDO PETROLEUM CORPORATION

Colorado

(State of Incorporation)

84-0772991

(IRS Employer Identification)

PROCESSED BY

1801 Broadway, Suite 900

Denver, Colorado 80202

MAR 20 1992

(303) 297-2200

Microfilmed by

Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of March 15, 1992:

Common stock, \$.10 par value - 3,655,000

Preferred stock, no par value - None Issued

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CREDO PETROLEUM CORPORATION

INDEX TO FORM 10-Q

January 31, 1992

PART I - FINANCIAL INFORMATION (UNAUDITED)

	<u>Page</u>
Consolidated Balance Sheets as of January 31, 1992 and October 31, 1991	3
Consolidated Statements of Earnings and Changes in Retained Earnings for the three months ended January 31, 1992 and 1991	4
Consolidated Statements of Cash Flows for the three months ended January 31, 1992 and 1991	5
Management's Discussion and Analysis of Financial Condition and Results of Operations - January 31, 1992	6-9

PART II - OTHER INFORMATION

Not Applicable

The financial information furnished in this Form 10-Q reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position of the Company for the periods presented.

CREDO PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

	January 31, 1992 (First Qtr. End) <u>Unaudited</u>	October 31, 1991 (Fiscal Year End) <u>Audited</u>
<u>ASSETS</u>		
Current assets:		
Cash and temporary cash investments	\$2,119,000	\$2,342,000
Receivables:		
Trade	576,000	219,000
Accrued oil and gas sales	163,000	155,000
Accrued interest	14,000	18,000
Other	33,000	37,000
	<u>2,905,000</u>	<u>2,771,000</u>
Long-Term assets:		
Certificates of deposit	298,000	298,000
Operating rights and other intangible assets	633,000	655,000
Other	67,000	73,000
	<u>998,000</u>	<u>1,026,000</u>
Oil and gas properties, at cost, using full cost method:		
Evaluated	6,589,000	6,819,000
Unevaluated	1,247,000	1,081,000
	<u>7,836,000</u>	<u>7,900,000</u>
Less accumulated depreciation, depletion and amortization	<u>(2,191,000)</u>	<u>(2,077,000)</u>
	<u>5,645,000</u>	<u>5,823,000</u>
	<u>\$9,548,000</u>	<u>\$9,620,000</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 573,000	\$ 668,000
Deferred income taxes payable	76,000	76,000
	<u>649,000</u>	<u>744,000</u>
Deferred income taxes	<u>427,000</u>	<u>391,000</u>
Stockholders' equity:		
Preferred stock, without par value 5,000,000 shares authorized, none issued	-	-
Common stock, \$.10 par value, 20,000,000 shares authorized, 3,655,000 shares issued	365,000	365,000
Capital in excess of par value	6,237,000	6,237,000
Retained earnings	2,300,000	2,241,000
Treasury stock, at cost, 250,000 shares in 1922 and 207,000 shares in 1991	<u>(430,000)</u>	<u>(358,000)</u>
	<u>8,472,000</u>	<u>8,465,000</u>
Commitments	<u>\$9,548,000</u>	<u>\$9,620,000</u>

See accompanying notes.

CREDO PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS AND CHANGES IN RETAINED EARNINGS - UNAUDITED

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Revenues:		
Oil and gas sales	\$ 353,000	\$ 389,000
Operating	95,000	78,000
Interest and other	<u>51,000</u>	<u>70,000</u>
	<u>499,000</u>	<u>537,000</u>
Costs and expenses:		
General and administrative	151,000	138,000
Depreciation, depletion and amortization	135,000	105,000
Oil and gas production	<u>116,000</u>	<u>105,000</u>
	<u>402,000</u>	<u>348,000</u>
 Income before income taxes	 97,000	 189,000
Income taxes	<u>(38,000)</u>	<u>(51,000)</u>
Net income	59,000	138,000
 Retained earnings, beginning of period	 <u>2,241,000</u>	 <u>1,948,000</u>
Retained earnings, end of period	<u>\$2,300,000</u>	<u>\$2,086,000</u>
 Earnings per share	 <u>\$.02</u>	 <u>\$.04</u>
 Weighted average common shares outstanding during the period	 <u>3,470,000</u>	 <u>3,459,000</u>

See accompanying notes.

CREDO PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended January 31, 1992	Three Months Ended January 31, 1991
Operating activities:		
Net income	\$ 59,000	\$138,000
Noncash expenses included in net income:		
Depreciation, depletion and amortization	135,000	105,000
Deferred income taxes	38,000	51,000
Other	5,000	5,000
Changes in assets and liabilities:		
Trade receivables	(357,000)	(105,000)
Accrued oil and gas sales	(8,000)	39,000
Accrued interest	4,000	(5,000)
Other current assets	4,000	(39,000)
Accounts payable	(95,000)	(99,000)
Net cash provided by operating activities	<u>(215,000)</u>	<u>90,000</u>
Investing activities:		
Oil and gas properties	64,000	(77,000)
Investments in certificates of deposit and other investments	(1,422,000)	(594,000)
Proceeds from certificates of deposit and other investments	1,118,000	297,000
Other assets	<u>-</u>	<u>(5,000)</u>
Net cash provided by investing activities	<u>(240,000)</u>	<u>(379,000)</u>
Financing activities:		
Proceeds from short term notes	-	-
Repayment of short-term notes	-	(150,000)
Purchase of treasury stock	(72,000)	<u>-</u>
Net cash used by financing activities	<u>(72,000)</u>	<u>(150,000)</u>
Increase in cash and cash equivalents	(527,000)	(439,000)
Cash and cash equivalents:		
Beginning of period	<u>654,000</u>	<u>655,000</u>
End of period	<u>\$ 127,000</u>	<u>\$ 216,000</u>

See accompanying notes.

CREDO PETROLEUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

January 31, 1992

Liquidity and Capital Resources

The company's working capital and cash flow represent a significant capital resource and source of liquidity.

At first quarter-end, working capital was \$2,256,000. Existing working capital and anticipated cash flow are expected to be sufficient to fund fiscal 1992 operations. However, if the company were to make one or more major acquisitions during the coming year, bank borrowing, issuance of additional stock, or other forms of debt financing would be considered. Because earnings are anticipated to be reinvested in operations, cash dividends are not expected to be paid in the foreseeable future.

Commitments for future capital expenditures were not material at first quarter-end. The timing of most capital expenditures for exploration and development is relatively discretionary. Therefore, the company can plan expenditures to coincide with available funds in order to minimize business risks.

Product Prices, Production and Interest Rates

Numerous uncertainties exist in the oil and gas exploration and production industry which are beyond the company's ability to predict with reasonable accuracy.

An oversupply of natural gas in the United States for the last several years together with deregulation of natural gas pricing and transportation have resulted in far-reaching and fundamental changes in the transportation and marketing segments of the natural gas industry. Gas price decontrol and the advent of an active spot market for natural gas have resulted in the company's gas sales and prices becoming more seasonal. Sales and prices accelerate in peak demand periods such as the winter months and subside during lower demand periods.

Uncertainties also exist with respect to the supply of oil available to world markets. OPEC exercises considerable influence over the worldwide oil supply and thus the prices for petroleum products.

Oil and gas sales volume and price comparisons for the indicated periods are set forth below. Prior year gas volumes were adjusted to reflect production versus sales differences.

<u>Product</u>	<u>Three Months Ended January 31, 1992</u>		<u>Three Months Ended January 31, 1991</u>		<u>Percent Volume Change</u>	<u>Percent Price Change</u>
	<u>Volume</u>	<u>Price</u>	<u>Volume</u>	<u>Price</u>		
Gas (Mcf)	70,000	\$ 1.52	69,000	\$ 1.63	+ 1%	- 7%
Oil (BO)	13,200	\$18.32	10,300	\$26.61	+28%	-31%

<u>Product</u>	<u>Three Months Ended January 31, 1992</u>		<u>Three Months Ended October 31, 1991</u>		<u>Percent Volume Change</u>	<u>Percent Price Change</u>
	<u>Volume</u>	<u>Price</u>	<u>Volume</u>	<u>Price</u>		
Gas (Mcf)	70,000	\$ 1.52	73,000	\$ 1.38	- 4%	+10%
Oil (BO)	13,200	\$18.32	11,800	\$19.38	+12%	- 5%

The interest rate earned on short-term investments averaged 6.8% for the three months ended January 31, 1992 compared to 8.6% in the same period in 1991. Current interest rates available to the company for one year terms range from 5.0% to 6.0%.

Deferred Income Taxes

The company provides taxes based on Statement of Financial Accounting Standard No. 96, Accounting for Income Taxes, ("FAS 96"). FAS 96 requires, among other things, that deferred taxes be provided on the liability method. The liability method requires that existing deferred tax balances be adjusted for changes in tax rates or laws upon enactment rather than when the related book/tax differences reverse.

Deferred tax expense calculated under FAS 96 represents the estimated changes in the company's total deferred tax liability related to the timing and amount of reversals of book and asset basis differences. The total future deferred income tax liability under FAS 96 is extremely complicated for any oil company to calculate due in part to the long-lived nature of depleting oil and gas reserves. Accordingly, the liability is subject to continual recalculation and revision of the numerous estimates required and may change significantly in the event of such things as major acquisitions, divestitures, changes in reserve estimates, changes in reserve lives, and changes in tax rates or tax laws.

Results of Operations

Quarter Ended January 31, 1992 Compared to Quarter Ended January 31, 1991

In the first quarter 1992, net income declined to \$59,000 compared to \$138,000 in the same period last year. The principal reason for the net income decline was a 31% decline in oil prices in the aftermath of the Middle-East conflict from \$26.61 in the first quarter of 1991 to \$18.32 in the first quarter of 1992.

Total revenues declined 7% to \$499,000 in the first quarter of 1992 compared to \$537,000 in the same period last year. Oil and gas sales declined 9% due primarily to a 31% decline in oil prices and a 7% decline in gas prices. The first fiscal quarter of 1991 included the months of November and December 1990 and January 1991. Oil prices in those months were significantly affected by the Middle-East conflict. The price declines were partially offset by increased oil production resulting from acquisitions made in the last month of fiscal 1991. Operating income increased 22% due to an increase in well management activities. Interest and other income decreased 27% to \$51,000 from \$70,000 last year due primarily to lower interest rates.

Total costs and expenses increased 15% to \$402,000 in the first quarter of 1992 compared to \$348,000 in the same period last year. General and administrative expenses increased 9% due to general inflationary pressures. Depreciation, depletion and amortization increased 29% due mostly to increased production volumes. The increase in oil and gas production expenses resulted from an increased activity level resulting from acquisitions made in the last month of fiscal 1991. Deferred income taxes were provided at 39% in the first quarter of 1992 compared to 27% last year.

Quarter Ended January 31, 1992 Compared to Quarter Ended October 31, 1991

In the first quarter of 1992, net income increased to \$59,000 compared to \$41,000 in the fourth quarter of 1991.

Total revenues increased 5% to \$499,000 compared to \$474,000 in the immediately preceding quarter. Oil and gas sales increased 7% in the first quarter primarily due to increased oil production resulting from acquisitions made in the last month of fiscal 1991. Operating income increased 19% due to an increase in well management activities. Interest and other income declined slightly.

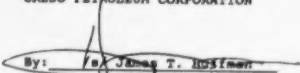
Total costs and expenses increased 12% between the periods. General and administrative expenses increased 20% due to general inflationary pressure and certain downward adjustments made in the fourth quarter 1991 to reflect actual general and administrative costs which were lower than previously estimated. Depreciation, depletion and amortization increased slightly due primarily to the increased sales volumes. Oil and gas production costs and expenses increased 15% due to increased well activity resulting from acquisitions made in the last month of fiscal 1991. Deferred income taxes declined \$36,000 due to an adjustment in the fourth quarter 1991 to reflect actual deferred income taxes which were higher than previously estimated.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CREDO PETROLEUM CORPORATION

Date: March 15, 1992

By:  James T. Hoffman
James T. Hoffman
President and
Principal Financial Officer

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WASHINGTON, D.C. 20549

FORM 10-Q L3Q

Quarterly Report Under Section 13 or 15 (d)
of The Securities Exchange Act of 1934

11/2/92
F
92-208

For Quarter Ended January 31, 1992

Commission file number 0-8209

DOAK PHARMACAL CO., INC.

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction of
incorporation or organization)

13-1681155

(I.R.S. Employer
Identification No.)

67 SYLVESTER STREET, WESTBURY, NEW YORK 11590

(Address of principal executive offices)

(516) 333-7222

(Registrants' telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days.

YES X NO

The number of shares outstanding of the registrant's common stock, par value \$.10 per share, as of March 14, 1992 was 791,909.

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DOAK PHARMACAL CO., INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<u>January 31, 1992</u> (UNAUDITED)	<u>October 31, 1991</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 184,427	\$ 213,975
Accounts receivable, less allowance for doubtful accounts of \$28,300 in 1992 and 1991.	227,868	134,548
Inventories (Note 3)	304,881	340,032
Prepaid expenses and other current assets	<u>105,891</u>	<u>120,933</u>
Total current assets	823,067	809,488
PROPERTY AND EQUIPMENT, net (Note 4)	122,945	103,046
OTHER ASSETS	<u>346</u>	<u>692</u>
	<u>\$ 946,358</u>	<u>\$ 913,226</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Current portion of long-term debt	7,987	4,135
Accounts payable	54,301	71,907
Accrued expenses and other current liabilities	<u>55,521</u>	<u>59,390</u>
Total current liabilities	<u>117,809</u>	<u>135,432</u>
LONG-TERM DEBT	<u>235,611</u>	<u>240,813</u>
STOCKHOLDERS' EQUITY (Note 7)		
Common stock, par value \$.10 per share, authorized 3,000,000 shares, issued 791,879 shares January 31, 1992 and 760,603 shares October 31, 1991, respectively (including 4,300 shares held in treasury)	79,188	79,188
Additional paid-in capital	1,241,541	1,241,541
Deficit	<u>(716,517)</u>	<u>(772,474)</u>
	605,212	548,255
Less cost of shares of common stock held in treasury	<u>(11,274)</u>	<u>(11,274)</u>
	<u>593,938</u>	<u>536,981</u>
	<u>\$ 946,358</u>	<u>\$ 913,226</u>

DOAK PHARMACAL CO., INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	<u>Three Months Ended January 31</u>	
	<u>1992</u>	<u>1991</u>
REVENUE:		
Net sales	\$496,336	\$403,218
Other Income	<u>2,283</u>	<u>2,487</u>
	<u>498,619</u>	<u>405,705</u>
COSTS AND EXPENSES:		
Cost of Sales	269,504	184,076
Selling and shipping	79,224	113,787
General and administrative	86,084	94,966
Research and development	0	2,813
Interest (Note 7)	<u>7,848</u>	<u>7,526</u>
	<u>442,660</u>	<u>403,168</u>
INCOME BEFORE PROVISION FOR INCOME TAXES AND EXTRA- ORDINARY ITEM	55,959	2,537
PROVISION FOR INCOME TAXES (Note 5)	<u>14,000</u>	<u>375</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>41,959</u>	<u>1,962</u>
EXTRAORDINARY ITEM - INCOME TAX BENEFIT RESULTING FROM UTILIZATION OF NET OPERATING LOSS CARRYFORWARD	<u>14,000</u>	<u>575</u>
NET EARNINGS	<u>\$ 55,959</u>	<u>\$ 2,537</u>
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARE OUTSTANDING	791,909	769,318
PER SHARE INFORMATION:		
Income before extraordinary item	\$ <u>.05</u>	\$ <u>-</u>
Extraordinary item	\$ <u>.02</u>	\$ <u>-</u>
Net earnings	\$ <u>.05</u>	\$ <u>-</u>
Cash dividends	<u>NONE</u>	<u>NONE</u>

See notes to consolidated financial statements Page 3

DOAK PHARMACAL CO., INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	<u>Three Months Ended January 31</u>	
	<u>1992</u>	<u>1991</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 55,959	\$ 2,537
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	8,094	6,299
Stock issued for interest on 13.25% debenture	0	7,849
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(93,320)	(19,309)
Decrease in inventories	35,151	74,735
Decrease in prepaid expenses and other current assets	15,042	6,328
Decrease in Security Deposit	346	
(Decrease) Increase in accounts payable	(17,606)	(19,799)
Decrease in accrued expenses and other current liabilities	(3,869)	(5,072)
Total adjustments	<u>51,023</u>	<u>51,031</u>
Net cash provided by operating activities	<u>(203)</u>	<u>53,568</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>27,995</u>	<u>(5,950)</u>
Net cash used in investing activities	<u>27,995</u>	<u>(5,950)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt and capital lease obligations, net	<u>(1,350)</u>	<u>(2,727)</u>
Net cash used in financing activities	<u>(1,350)</u>	<u>(2,727)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,548)	44,891
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>213,975</u>	<u>34,924</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$184,427</u>	<u>\$79,815</u>

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management all adjustments consisting of normal accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended October 31, 1991.

NOTE 2 - Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Doak Pharmacal Co., Inc. and its subsidiary, which is wholly-owned. All inter-company balances and transactions have been eliminated.

NOTE 3 - Inventories

Inventories are stated at the lower of cost (first-in first-out) or market.

NOTE 4 - Property and Equipment

Property and equipment is stated at cost less accumulated depreciation computed on a straight line basis over the estimated lives of the related assets. Capitalized values of property under leases and leasehold improvements are amortized over the life of the lease or the estimated life of the asset, whichever is shorter.

NOTE 5 - Income Taxes

The provision for income taxes of \$14,000 in 1992 represents income taxes which would have been required to be paid had the Company not been able to utilize approximately \$14,000 in 1992 of net operating loss carry forwards. The income tax benefit resulting from utilization of the net operating loss carry forwards is presented as an extraordinary item.

At January 31, 1992, the Company has approximately \$508,000 and \$462,000 of net operating loss carryforwards on the book and tax basis, respectively that expire through the year 2002.

NOTE 6 - Net Income Per Share

Net income per average common and common equivalent share has been on the basis of the weighted average number of common shares and equivalents outstanding during the period.

NOTE 7 - 13.25% Subordinated Convertible Debenture

The Debenture bears interest at the rate of 13.25% per annum, payable quarterly in shares of the Company's Common Stock. Interest of \$7,849 has been accrued for the period November 1, 1991 through January 31, 1992 and remains unpaid.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

Liquidity and Capital Resources:

The Company's working capital increased by 32,202 during the three months ended January 31, 1992.

Management of the Company believes that its working capital of as of January 31, 1992 is adequate to meet its requirements.

Results of Operations:

For the three months ended January 31, 1992 the Company earned net income of \$55,959 compared to \$2,530 reported last year. This resulted primarily from an increase in sales volume.

Sales increased by approximately \$93,000 (23%) when compared to the three months ended January 31, 1991. This was the result of increased sales in export markets.

Selling and shipping expenses decreased by approximately \$34,000 (38%). This was the result of decreases in advertising, sales salaries and promotional expenses.

For the three months ended January 31, 1992 general and administrative expenses remained about the same.

Part II. Other Information

NONE

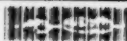
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: Westbury, New York
March 13, 1992

DOAK PHARMACAL CO., INC.

BY: *Lorna Adams*
LORNA ADAMS, PRESIDENT

BY: *John D. Krafchuk*
JOHN D. KRAFCHUK, M.D.
CHAIRMAN OF THE BOARD



92 15 0645

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended.....
March 31, 1992

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from.....to.....

Commission file number.....
09989

STAKE TECHNOLOGY LTD.

(Exact name of registrant as specified in its charter)

CANADA

N/A

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

PROCESSED BY
15-15-V

MAY 18 1992

2838 HIGHWAY 7, NORVAL, ONTARIO, L0P 1K0

(Address of principal executive offices)
(Zip Code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(416) 455-1990

(Registrant's telephone number, including area code)

N/A

(Former name, former address and formal fiscal year, if changed
since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X
Yes..... No.....

BEST COPY
AVAILABLE

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date.

CLASS - Common shares, no par value Outstanding at May 13, 1992
8,608,489 common shares

STAKE TECHNOLOGY LTD.

Form 10-Q

March 31, 1992

PART I. FINANCIAL INFORMATION*

Item 1. Unaudited Financial Statements-

Consolidated Balance Sheets at March 31, 1992,
and December 31, 1991.

Consolidated Statement of Deficit for the
periods ended March 31, 1992, and December 31, 1991.

Consolidated Statements of Earnings
for the three months ended March 31, 1992 and 1991.

Consolidated Statements of Changes
in Financial Position for the three months ended
March 31, 1992 and 1991.

Condensed notes to the Unaudited Financial
Statements.

**Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations.**

PART II. OTHER INFORMATION

* All financial information is expressed in Canadian Dollars.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Recent Developments

The ENEA project in Italy will be completed in the summer of 1992. The Company expects to receive an additional contract for approximately \$180,000 from ENEA in the second quarter to provide training services.

The major new project for the Company is the Consumers Paper Recycling Plant to be built in Redcliff, Alberta by DeNovo Corporation (DeNovo). Stake has received a contract to supply steam explosion equipment to the mill and financing for this project is expected to be completed in the second quarter of 1992.

On April 27th, 1992 the new Black Clawson pilot plant officially opened in Middletown, Ohio. This pilot plant features the Stake steam explosion equipment and allows the prospective clients to test their own particular raw materials through the steam explosion process with a variety of subsequent production steps optimizing the process for their particular needs.

In the second quarter the Company will begin a \$285,000 contract for a economic and preliminary engineering study of an alcohol from wastepaper plant in Ontario. This project is being developed in conjunction with an industrial partner and the study will receive financial support from the Canadian and Ontario governments.

The First Three Months of 1992 Operations Compared with The First Three Months of 1991 Operations

Revenues for the three months ended March 31, 1992 were \$980,000 compared to \$62,000 for the three months ended March 31, 1991. Revenue is attributable primarily to the ENEA project in Italy which is to supply a steam explosion system, plus all related equipment to a pilot plant of the Italian Commission for New Technology for Energy and the Environment in Trisaia, Italy. Research performed under government contract, and other services performed on behalf of clients contributed \$76,000 of 1992 first quarter revenues (1991-\$62,000).

Cost of sales for the three months ended March 31, 1992 increased to \$599,000 from \$54,000 in 1991 and is primarily comprised of sub-contracting costs relating to the ENEA project.

Administration and market development costs increased to \$233,000 for the three months ended March 31, 1992 compared with \$196,000 for the three months ended March 31, 1991. This increase is largely attributable to the increased overhead costs.

The share of loss of equity accounted investees of \$40,000 is largely attributable to the Company's equity investee DeNovo Corporation. During 1992, DeNovo issued additional common shares to outside interests, through a private placement, for net proceeds of \$1,100,000. DeNovo also issued shares in exchange for shares of Consumers Paper Corp. (Consumers) in order to obtain control of 64% of the Consumers at March 31, 1992. On completion of additional financing currently in progress DeNovo will control approximately 76% of Consumers. As a result, these transactions the Company's interest in DeNovo was reduced to approximately 31% at March 31, 1992. This reduction, gave rise to a gain on dilution of \$756,000. The Company also sold 56,000 shares of DeNovo in the quarter which resulted in a gain on sale of shares of \$116,000, which is included in interest and other income for the quarter ended March 31, 1992.

**The First Three Months of 1992 Operations Compared with
The First Three Months of 1991 Operations (Con't)**

During the quarter ended March 31, 1992 the Company's investments in Justice Electronic Monitoring Systems Inc. yielded equity income of \$3,000, and Southdale Integrated Systems Inc. yielded a equity loss of \$2,000.

Liquidity and Capital Resources at March 31, 1992

Cash and short-term deposits increased by \$130,000 for the quarter ended March 31, 1992. This increase is largely attributable to the receipt of an interim payment from ENEA in the quarter. The total contract is valued at \$2,900,000 U.S. and the start up of the facility is expected in July, 1992. The Company will receive additional cashflow of approximately \$725,000 from this contract through to September this year.

Accounts receivable decreased to \$183,000 at March 31, 1992 from \$211,000 at December 31, 1991. This decrease is attributable to normal operations.

Accounts payable increased to \$785,000 at March 31, 1992 from \$666,000 at December 31, 1991. This increase reflects the accrual of costs relating to the ENEA project.

Deferred revenue decreased to nil at March 31, 1992 upon the recognition of this revenue in the first quarter.

The current portion of long-term debt consists of scheduled payments to the Eastern Ontario Development Corporation under the Venture Capital loan and principal payments under the Company's mortgage loan.

Long term debt also includes a mortgage on the Company's executive offices and principal laboratory facilities which carries monthly mortgage payments of \$7,564 until September 1992, at which time the loan is due. The Company intends to renew the mortgage loan at that time and has received confirmation from the lender that providing the mortgage loan is in good standing at that time, the lender anticipates being in a position to offer renewal terms.

PART II. OTHER INFORMATION

Item 6.

No reports were filed.

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 1992 AND DECEMBER 31, 1991
 (Expressed in Canadian Dollars)

	MARCH 30, <u>1992</u> \$	DECEMBER 31, <u>1991</u> \$
--	--------------------------------	-----------------------------------

ASSETS

CURRENT ASSETS

Cash and short-term deposits	453,000	323,000
Accounts receivable	183,000	211,000
Inventories	416,000	416,000
Other assets	<u>63,000</u>	<u>67,000</u>
	1,115,000	1,017,000

PROPERTY, PLANT AND EQUIPMENT

1,411,000	1,427,000
-----------	-----------

PATENTS, AND TRADEMARKS

- at cost, less

accumulated amortization of

\$427,000 (December 31, 1991-

\$411,000)

433,000	449,000
---------	---------

INVESTMENTS AND ADVANCES (note 3)

-(quoted market value of listed shares

at March 31, 1992 \$ 13,190,000

(December 31, 1991 \$5,273,000)

<u>2,694,000</u>	<u>1,997,000</u>
<u>5,653,000</u>	<u>4,890,000</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	785,000	666,000
Deposit on projects	950,000	950,000
Deferred revenue	-	216,000
Current portion of long-term debt	<u>53,000</u>	<u>53,000</u>
	1,788,000	1,885,000

LONG-TERM DEBT

<u>930,000</u>	<u>942,000</u>
<u>2,718,000</u>	<u>2,827,000</u>

SHAREHOLDER'S EQUITY

CAPITAL STOCK (note 4)	20,992,000	20,992,000
CONTRIBUTED SURPLUS	4,635,000	4,635,000
DEFICIT	<u>(22,692,000)</u>	<u>(23,564,000)</u>
	<u>2,935,000</u>	<u>2,063,000</u>
	<u>5,653,000</u>	<u>4,890,000</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF DEFICIT
FOR THE PERIODS ENDED MARCH 31, 1992 AND DECEMBER 31, 1991
(Expressed in Canadian Dollars)

	Three months ended MARCH 31, <u>1992</u> \$	Year ended DECEMBER 31, <u>1991</u> \$
DEFICIT - BEGINNING OF PERIOD	(23,564,000)	(23,519,000)
Net earnings (loss) for the period	<u>872,000</u>	<u>(45,000)</u>
DEFICIT - END OF PERIOD	<u>(22,692,000)</u>	<u>(23,564,000)</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE PERIODS ENDED MARCH 31, 1992 AND 1991
(Expressed in Canadian Dollars)

	Three months ended <u>MARCH 31,</u>	
	1992	1991
	\$	\$
REVENUES		
Sale of goods and services	<u>980,000</u>	<u>62,000</u>
	<u>980,000</u>	<u>62,000</u>
COSTS AND EXPENSES		
Cost of goods and services sold	599,000	54,000
Research and development- net	87,000	80,000
Administration and market development	233,000	196,000
Depreciation and amortization of fixed assets	19,000	15,000
Amortization of patents and trademarks	16,000	16,000
Interest on long-term debt	24,000	29,000
Foreign exchange (gain) loss	(17,000)	4,000
Interest and other income	<u>(137,000)</u>	<u>(49,000)</u>
	<u>824,000</u>	<u>345,000</u>
Income (loss) from Operations	156,000	(283,000)
Gain on dilution of investment interests in equity accounted investees	<u>756,000</u>	<u>373,000</u>
Earnings before share of loss of Companies accounted for by the Equity Method	912,000	90,000
Share of Loss of Other Investees	<u>(40,000)</u>	<u>(32,000)</u>
NET EARNINGS FOR THE PERIOD	<u>872,000</u>	<u>58,000</u>
EARNINGS PER SHARE FOR THE PERIOD	<u>0.10</u>	<u>0.01</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE PERIODS ENDED MARCH 31, 1992 AND 1991
(Expressed in Canadian Dollars)

	Three months ended MARCH 31,	
	1992 \$	1991 \$
OPERATING ACTIVITIES		
Earnings for the year		
Items not effecting cash -		
Amortization	872,000	58,000
Gain on sale of investments	35,000	31,000
Share of loss of investees	(116,000)	-
Write-down of investments	40,000	32,000
Gain on dilution of investment interests related to equity accounted investees	30,000	-
	<u>(756,000)</u>	<u>(373,000)</u>
	105,000	(252,000)
Net decrease in non-cash working capital	<u>(65,000)</u>	<u>(73,000)</u>
Cash provided from (used in) operating activities	40,000	(325,000)
INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	(3,000)	(1,000)
Proceeds from disposal of investments	147,000	-
Decrease (increase) in investments and advances	<u>(42,000)</u>	<u>89,000</u>
Cash provided from investment activities	<u>102,000</u>	<u>88,000</u>
FINANCING ACTIVITIES		
Decrease in long-term debt	(12,000)	(11,000)
Reduction in notes receivable	<u>-</u>	<u>7,000</u>
Cash (used in) financing activities	<u>(12,000)</u>	<u>(4,000)</u>
INCREASE IN CASH DURING THE PERIOD	130,000	(241,000)
NET CASH - BEGINNING OF YEAR	<u>323,000</u>	<u>234,000</u>
NET CASH - END OF PERIOD	<u>453,000</u>	<u>(7,000)</u>

Net cash consists of cash and short-term deposits

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

1. The information presented in the accompanying Consolidated Financial Statements has not been audited by independent chartered accountants. In the opinion of the Company, such statements contain all adjustments necessary to present fairly the financial position of the Company, the results of its operations and the changes in its financial position for the applicable periods, in conformity with generally accepted accounting principles accepted in Canada which differ in some respects from accounting principles generally accepted in the United States, the effect of which is explained in note 5 applied on a consistent basis. The consolidated balance sheet at December 31, 1991 has been taken from the Company's Annual Report to Shareholders for the year then ended. The accompanying consolidated financial statements should be read in conjunction therewith.

2. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED March 31, 1992
(Expressed in Canadian Dollars)

3. INVESTMENTS

Investment and advances to in affiliated companies comprises the following:

	MARCH 31, <u>1992</u> \$	DECEMBER 31, <u>1991</u> \$
DeNovo Corporation (March 31, 1992 - 31%; December 31, 1991 - 45%) Quoted market value at March 31, 1992 \$10,700,000 (December 31, 1991 - \$4,917,000)	2,291,000	1,606,000
Justice Electronic Monitoring Systems Inc. (March 31, 1992 - 19%; December 31, 1991 - 19%) Quoted market value at March 31, 1992 \$2,490,000; (December 31, 1991 - \$356,000)	109,000	105,000
Southdale Integrated Systems Inc. (March 31, 1992 - 35%; December 31, 1991 - 35%)	103,000	98,000
Recoupe Recycling Technologies	34,000	-
Other investments - at cost	<u>157,000</u>	<u>187,000</u>
	<u>2,694,000</u>	<u>1,997,000</u>

4. CAPITAL STOCK

	MARCH 31, <u>1992</u> \$	1991 \$	DECEMBER 31, <u>1991</u> \$
Issued and fully paid-\$ 8,608,489 common shares (March 1991 - 8,603,489 and December 1991-8,608,489)	20,992,000	20,982,000	20,992,000
Nil-Class "B" preference shares (March 31, 1991 -5,000,000) and December 1991 - NIL)	-	<u>5,000,000</u>	-
	20,992,000	25,982,000	20,992,000
Acquired and cancelled - 5,000,000 Class "B" Preference Shares	-	(1,329,000)	-
	<u>20,992,000</u>	<u>24,653,000</u>	<u>20,992,000</u>

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Under United States generally accepted accounting principles ("GAAP"), short-term obligations expected to be refinanced but for which the ability to consummate the refinancing has not been demonstrated through either a post-balance-sheet date issuance of a long-term obligation or a financing agreement are classified as current, development costs are not deferred, stock warrants and options issued for services rendered where the exercise price is less than quoted market value a date of grant are given accounting recognition earnings per share is computed based on the weighted average number of common shares and dilutive common share equivalents outstanding, and where revenue from a single customer represents 10% or more of total revenue, this must be disclosed with the amount of revenues from each such customer. Accordingly, the following would have been reported under U.S. GAAP:

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES (Con't)

	Three months ended March 31, (Unaudited)		Year ended December 31, (000's)		
	1992	1991	1991	1990	1989
Earnings (loss) before extraordinary item - as reported	872	58	(45)	(932)	(1,172)
Share of development costs deferred by equity accounted investee	(3)	(3)	(6)	3	(25)
Consulting expense related to stock warrants and options issued	-	-	-	(2)	(48)
Earnings (loss) for the year	<u>869</u>	<u>55</u>	<u>(51)</u>	<u>(931)</u>	<u>(1,245)</u>
- U.S. GAAP					
Earnings (loss) per share	<u>0.10</u>	<u>0.01</u>	<u>0.01</u>	<u>0.11</u>	<u>0.16</u>
- U.S. GAAP					
Weighted average number of common shares and dilative common share equivalents outstanding	<u>8,608</u>	<u>8,604</u>	<u>8,607</u>	<u>8,392</u>	<u>7,582</u>
Current liabilities - as reported	1,788	721	1,885	732	738
Reclassification of 10 1/4% mortgage loan	801	812	801	812	-
Current liabilities - U.S. GAAP	<u>2,589</u>	<u>1,533</u>	<u>2,686</u>	<u>1,544</u>	<u>738</u>
Shareholders' equity					
- as reported	2,935	2,156	2,063	2,126	2,800
Cumulative development cost adjustment	(19)	(22)	(28)	(22)	(25)
Shareholders' equity	<u>2,916</u>	<u>2,134</u>	<u>2,035</u>	<u>2,104</u>	<u>2,775</u>
- U.S. GAAP					

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1991
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES (Con't)

The following additional disclosures are provided in accordance with SEC Regulation S-X:

Change in non-working capital balances related to operations -

	Three months ended March 31,		Year ended December 31,	
	(Unaudited) 1992	1991	(000's) 1990	1989
Accounts receivable	(28)	181	(228)	80
Inventories	-	-	18	18
Other assets	(4)	(54)	29	(19)
Refundable investment tax credits	-	-	-	578
Accounts payable and accrued liabilities	(119)	72	(50)	378
Billings in excess of costs on contracts in progress	216	175	41	-
Deposit on project	-	-	-	50
Net decrease (increase) in non-cash working capital balances related to operations	<u>65</u>	<u>374</u>	<u>(190)</u>	<u>1,085</u>
Interest paid	<u>24</u>	<u>113</u>	<u>119</u>	<u>69</u>
Increase (decrease) in bank indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329)</u>
Decrease (increase) in restricted short-term deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>

The Company has not yet adopted U.S. Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes", for U.S. reporting purposes. The effects of adopting this statement are not expected to be significant.

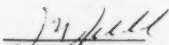
Changes in capital stock for the three months ended March 31, 1992 and the three years ended December 31, 1991 are as follows:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

STAKE TECHNOLOGY LTD

May 13, 1992
Date _____


Stake Technology Ltd.
by Jeremy N. Kendall
Chairman and Chief
Executive Officer and
Principal Financial Officer

0 32554
0 355000
30
FORM 10-Q



92671324

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO
SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file No. 1-10615

Emisphere Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware 13-3306985

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer I.D. No.)

L3Q
PROCESSED BY 15 Skyline Drive
Hawthorne, New York 10532
20-30-Z (Address of principal executive
offices) (Zip code)

MAR 20 1992
Microfilmed by (914) 347-2220
Q-Data Corp. - St. Petersburg, FL telephone number, including area code

Emisphere Technologies Associates, Inc.
5 Westchester Plaza, Elmsford, New York 10523
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by
Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days. YES ☒ NO ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

As of March 10, 1992 there were 5,990,032 shares of common stock, \$.01 par value, of the
registrant outstanding.

Page 1 of 29

Exhibit Index on Page 29

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EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

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Statements of Stockholders' Equity for the six months ended January 31, 1992 (unaudited)	5
Statement of Cash Flows for the six-month periods ended January 31, 1992 and 1991 (unaudited)	6
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EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

BALANCE SHEET

(Unaudited)

as of January 31, 1992

ASSETS:

Current assets:

Cash and cash equivalents (Notes 2, 3 and 12)	\$ 3,597,149
Investments (Note 3)	4,164,702
Prepaid expenses and other current assets	<u>127,260</u>
Total current assets	7,889,111

Equipment and leasehold improvements, at cost,
net of accumulated depreciation and amortization
(Notes 2 and 4)

1,562,197

Note receivable (Note 11)

180,000

Other assets

117,485

\$ 9,748,793

LIABILITIES and STOCKHOLDERS' EQUITY:

Current liabilities:

Accounts payable	\$ 544,632
Accrued expenses	147,127
Contract deposits	<u>5,000</u>
Total current liabilities	<u>696,759</u>

Commitments and contingencies (Note 5)

Stockholders' equity (Notes 6, 7, 8 and 12):

Preferred stock, non-cumulative, \$.01 par value;
1,000,000 shares authorized, none issued and
outstanding

52,041

Common stock, \$.01 par value; 20,000,000 shares
authorized, 9,204,121 issued and outstanding

19,736,737

Additional paid-in capital

(31,424)

Compensatory stock

(10,705,320)

Accumulated deficit

9,052,034

Total stockholders' equity

\$ 9,748,793

See accompanying notes to financial statements.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

STATEMENTS of OPERATIONS

(Unaudited)

for the six-month periods ended January 31, 1992 and 1991

	<u>1992</u>	<u>1991</u>
Revenues (Notes 2 and 9):		
Clinical testing services (Note 11)		\$ 403,494
Research and development contracts	\$ <u>75,000</u>	<u>520,000</u>
	<u>75,000</u>	<u>923,494</u>
Cost and expenses:		
Direct costs of clinical testing services		440,310
General, administrative and selling expenses	1,009,425	906,398
Research and development	1,629,748	566,567
Depreciation and amortization	<u>174,714</u>	<u>65,090</u>
	<u>2,813,887</u>	<u>1,978,365</u>
Operating loss	<u>(2,738,887)</u>	<u>(1,054,871)</u>
Other income (expenses):		
Post termination benefits (Note 5)		(503,200)
Interest expense		(28,750)
Interest income	217,966	19,236
Other income	<u>34,926</u>	<u></u>
	<u>252,892</u>	<u>(512,714)</u>
Net loss	<u>(\$2,485,995)</u>	<u>(\$1,567,585)</u>
Net loss per share (Note 2)	<u>(\$.52)</u>	<u>(\$.50)</u>
Weighted average number of shares outstanding	<u>4,786,293</u>	<u>3,148,240</u>

See accompanying notes to financial statements.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

STATEMENT of STOCKHOLDERS' EQUITY

(Unaudited)

for the six months ended January 31, 1992

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Compensatory</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Stock</u>	
			<u>Capital</u>			
Balance, July 31, 1991	4,398,295	\$43,983	\$14,712,382	(\$ 8,219,325)	(\$62,852)	\$6,474,188
Exercise of options	163,098	1,631	1,028,928			1,030,559
Exercise of warrants	642,728	6,427	4,086,191			4,092,618
Costs incurred in connection with exercise of stock options and warrants			(90,764)			(90,764)
Compensatory stock amortization (Note 7)					31,428	31,428
Net loss, for the six months ended January 31, 1992				(2,485,995)		(2,485,995)
Balance, January 31, 1992	<u>5,204,121</u>	<u>\$52,041</u>	<u>\$19,736,737</u>	<u>(\$10,705,320)</u>	<u>(\$31,424)</u>	<u>\$9,052,034</u>

See accompanying notes to financial statements.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

STATEMENTS of CASH FLOWS

(Unaudited)

for the six-month periods ended January 31, 1992 and 1991

Increase (Decrease) in Cash

	<u>1992</u>	<u>1991</u>
Cash flows from operating activities:		
Cash received from customer and CTA Bio Services (Note 11)	\$ 34,926	\$ 790,873
Cash paid to suppliers and employees	(2,648,666)	(1,811,402)
Interest paid	199,677	(16,168)
Interest received	(560,322)	19,236
Payment of post-termination benefits		
Net cash used in operating activities	<u>(2,974,385)</u>	<u>(1,017,461)</u>
Cash flows from investing activities:		
Capital expenditures	(1,047,438)	(206,708)
Purchase of investment securities	(916,931)	
Proceeds from sales of investment securities		754,454
Net cash (used in) provided by investing activities	<u>(1,964,369)</u>	<u>547,746</u>
Cash flows from financing activities:		
Proceeds from exercise of options and warrants	5,123,177	(1,285,000)
Net payments under short-term agreements		
Payments of registration costs	(90,764)	
Net cash provided by (used in) financing activities	<u>5,032,413</u>	<u>(1,285,000)</u>
Net increase (decrease) in cash and cash equivalents	93,659	(1,754,715)
Cash and cash equivalents, beginning of period	<u>3,503,490</u>	<u>2,115,491</u>
Cash and cash equivalents, end of period	<u>\$3,597,149</u>	<u>\$ 360,776</u>
Reconciliation of net loss to cash used in operating activities:		
Net loss	(\$2,485,995)	(\$1,567,585)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	174,714	65,090
Amortization of compensatory stock	31,428	41,902
Termination costs associated with former officer		515,782
Change in assets and liabilities:		
Accounts receivable and unbilled costs and related profits from clinical testing contracts		(77,493)
Prepaid expenses and other current assets	(27,753)	19,174
Other assets	(26,742)	
Loan payable - clinical sale	(259,175)	
Accounts payable and accrued expenses	254,460	40,797
Post-termination benefits payable	(560,322)	
Contract deposits	(75,000)	(55,128)
Total adjustments	<u>(448,390)</u>	<u>550,124</u>
Net cash used in operating activities	<u>(\$2,974,385)</u>	<u>(\$1,017,461)</u>

See accompanying notes to financial statements.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS

1. Organization and Business:

Emisphere Technologies, Inc. (the "Company"), formerly Clinical Technologies Associates, Inc., was incorporated in the State of Delaware on July 21, 1986. The Company is a biopharmaceutical company involved in the research and development of its patented technology in connection with the commercialization of its oral drug delivery system. The Company has no product sales to date. Prior to July 31, 1991, the Company was also involved in conducting clinical research and development studies for pharmaceutical companies seeking regulatory approval to market new drugs. This line of business was sold to certain members of the prior management on July 31, 1991 (Note 11).

The Company changed its name to Emisphere Technologies, Inc. after receiving shareholder approval on January 21, 1992.

2. Summary of Significant Accounting Policies:

Equipment and Leasehold Improvements:

Equipment and leasehold improvements are stated at cost. Depreciation and amortization are provided for on the straight-line basis over the estimated useful life of the asset, ranging from five to seven years for equipment. Leasehold improvements are amortized over the life of the lease or of the improvements, whichever is shorter. Expenditures for maintenance and repairs which do not materially extend the useful lives of the respective asset are charged to expense as incurred. The cost and accumulated depreciation or amortization of assets retired or sold are removed from the respective accounts and any gain or loss is recognized in operations.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Patent Costs:

As a result of research and development efforts conducted by the Company it has applied for, or is in the process of applying for, a number of patents to protect proprietary inventions. Costs incurred in connection with patent applications have been expensed as incurred.

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

Revenue Recognition:

The Company is currently engaged in the business of providing contract research and development. Such revenue is recognized ratably over the contract period. Certain contracts also contain provisions whereby the Company will receive additional payments for services rendered if certain test objectives are achieved. Such amounts are recognized as income when received.

Prior to July 31, 1991, the Company provided to pharmaceutical companies clinical testing services. Such services were performed under contract, and revenue from such contracts was recognized on the percentage-of-completion method, measured by costs incurred. Under this method, estimated losses were recognized in full in the period in which such losses were determined.

Loss per Share:

Net loss per share is computed based on the loss for the period divided by the weighted average number of shares of common stock outstanding during the period. The loss per share for all periods presented excludes the number of common shares issuable upon the exercise of outstanding options, rights and warrants, since such inclusion would be anti-dilutive.

Income Taxes:

The Company adopted Statement of Financial Accounting Standards No. 109, which has superseded No. 96, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires that in the event that deferred taxes need to be accrued, such amount be provided for using current enacted tax rates for the tax consequence on future years of the differences between the tax basis of assets and liabilities and their respective financial reporting amounts at year-end ("temporary differences"). The adoption of SFAS 109 does not have a material impact on the financial position or results of operations of the Company.

Concentration of Credit Risk:

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash equivalents and marketable debt securities. The Company places its excess funds into U.S. Government securities as well as investments with high credit quality financial instruments and, by policy, limits the amount of credit exposure to any one financial institution.

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

Impact of the Adoption of Recently Issued Accounting Standards:
The Company does not offer current or former employees post-retirement benefits. Accordingly, the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" will not have a material impact on the financial position or results of operations of the Company.

3. Fair Value of Financial Instruments:

In accordance with Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," the following methods were used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents - As the result of the short-term maturity of these instruments, carrying value, which includes cost plus accrued interest, approximates fair value.

Investments - The fair value of these instruments has been estimated based on quoted market prices. Carrying value includes cost plus accrued interest, adjusted for the amortization of any discount or premium paid on the face value of the instrument.

The estimated fair values of the Company's financial instruments at January 31, 1992 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$3,597,149	\$3,597,149
Investments	<u>4,164,702</u>	<u>4,274,141</u>
	<u>\$7,761,851</u>	<u>\$7,871,290</u>

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

4. Equipment and Leasehold Improvements:

Equipment and leasehold improvements at January 31, 1992 consist of the following:

	Useful Lives <u>in Years</u>	
Office and scientific equipment	5-7	\$1,016,420
Furniture and fixtures	5-7	320,060
Leasehold improvements	10	<u>490,994</u>
		1,827,474
Less, Accumulated depreciation and amortization		<u>265,277</u>
		<u>\$1,562,197</u>

Depreciation and amortization expense for the six-month periods ended January 31, 1992 and 1991 was \$174,714 and \$65,090, respectively. During the six months ended January 31, 1992, the above amount includes a charge of approximately \$96,000, representing the net book value of certain equipment and leasehold improvements which the Company abandoned in connection with its relocation to a new facility.

5. Commitments and Contingencies:

- (a) The Company, during August 1991, entered into a ten-year noncancelable operating lease for office and laboratory space. The lease commenced on February 1, 1992, the date the Company took possession of the space. In addition to base rent, the lease provides for additional rent based on increases in real estate taxes. The terms of the lease also provide for the termination of any remaining obligation the Company had under a prior lease; however, the Company has guaranteed, until August 31, 1994, that certain space which is occupied by CTA Bio Services, Inc. totaling 5,100 square feet will lease for \$13.50 per square foot (see Note 11).

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

Future minimum rental payments are as follows:

January 31, 1993	\$ 97,500
1994	159,250
1995	169,000
1996	169,000
1997	169,000
Thereafter	<u>887,250</u>
	<u>\$1,651,000</u>

For the six-month periods ended January 31, 1992 and 1991, rent expense totaled approximately \$104,000 and \$92,000, respectively.

In connection with the Company's relocation to a new facility, it is obligated under certain contracts related to the acquisition of furniture and fixtures, equipment and leasehold improvements. As of January 31, 1992, the Company's remaining obligation under those contracts was approximately \$328,000.

- (b) Under a scientific consulting agreement, the Company is obligated to pay an individual \$13,750 quarterly through September 30, 1993, \$10,000 quarterly from December 31, 1993 through June 30, 1997 and a final payment of \$5,000 on October 31, 1997. The consulting agreement also provides for the Company to pay \$50,000 to this individual on or before March 31, 1993. This amount becomes payable immediately in the event the Company sells the rights to certain proprietary technology. In the event the Company does not pay this amount, the rights revert to the consultant. The Company has placed \$50,000 in escrow to meet this obligation which is included in other assets.

The Company has entered into noncancelable agreements with two Universities for research services through June 30, 1993. Pursuant to these agreements, the Company is obligated to pay the Universities approximately \$315,000 and \$52,000 during the years ended January 31, 1993 and 1994, respectively.

- (c) The Company has entered into employment contracts with its senior executive officers. The contracts contain provisions for annual compensation, benefits and stock option awards. Two of the contracts contain provisions whereby the employees would be allowed to borrow defined amounts of

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

money from the Company under certain circumstances. These loans would bear interest at rates defined by the agreements. One contract also provides for one of the employees to receive a bonus, determined by the board of directors in negotiation with that employee, in connection with certain contracts entered into by the Company. In the event the board of directors and the employee are unable to reach agreement, the contract provides for the employee to receive 5% of the contract amount, as defined.

- (d) The Company does not have product liability or professional liability insurance. In connection with its former clinical testing business (see Note 11), the Company may, in the ordinary course of business, be liable for claims from studies conducted prior to the sale of this business. In connection with the clinical testing business, the Company relies on the professional liability insurance of the physicians involved, and the indemnification undertaken by its pharmaceutical company customers. To date, no claims with regard to the clinical testing business have been asserted against the Company; however, if the Company were held liable for medical malpractice or for damages exceeding such coverage, it could have a material adverse effect on the Company. The Company intends to license its oral drug delivery system to pharmaceutical companies and receive indemnification from these companies for any product liability.
- (e) The Company on August 13, 1991 settled its claim against the former chief executive officer ("CEO") of the Company. The settlement contained various provisions, one of which required the Company to pay the CEO a total of \$560,322, of which the Company had provided \$503,200 at January 31, 1991.
- (f) In May 1988, an action was brought against the Company which alleged that the Company had breached an underwriting and financial consulting agreement. The plaintiff claimed damages of approximately \$14 million plus legal fees. On September 3, 1991, the court dismissed this complaint; however, the plaintiff has served a notice of appeal.
- (g) The Company has been notified of possible claims being asserted by two former consultants. The notification alleges that the former consultants are entitled to exercise a total of 41,000 stock options at a price of \$8.25 per share. Management contends that the options in question

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

have expired. There can be no assurance that the former consultants will not assert claims and if asserted, what the result of any action would be. Management does not believe the ultimate outcome of this matter will have a material impact on the financial position or results of operations of the Company.

6. Research and Development Contracts:

The Company enters into research and development contracts with pharmaceutical customers. These contracts provide for, among other things, the services the Company is to perform and the related fee and payment terms. Certain of the contracts also contain provisions whereby the Company will be required to perform additional services in consideration for amounts defined in the respective agreements. In certain instances, the Company is entitled to additional payments in the event certain testing results are achieved. In addition, the contracts contain provisions which require the Company to negotiate, with the customer, the terms of a license agreement. These licensing agreements contemplate the exclusive worldwide use of the Company's proprietary technology with the specific product under contract.

During 1990, the Company entered into a \$1 million research and development contract with The Upjohn Company ("Upjohn"). The terms of the contract include a worldwide license for certain technology of the Company, defined royalty rates and minimum royalties in the event Upjohn sells products which incorporate the licensed technology. This agreement could be terminated at Upjohn's option at any time. Pursuant to the agreement, Upjohn purchased 87,000 shares of the Company's common stock and was granted an option to purchase an additional 87,000 shares at \$17.34 per share.

7. Capital Transactions:

During February 1991, the Company entered into a stock purchase agreement with Tredegar Investment, Inc. ("Tredegar"). Under the terms of the agreement, Tredegar purchased 214,286 shares of common stock at a price of \$7.00 per share and received 214,285 options and 214,286 warrants. The options and warrants permit Tredegar to purchase an equal number of shares of common stock at a price per share of \$7.00 and \$10.50, respectively. During February 1992, Tredegar exercised its options (see Note 12), and the warrants which remain outstanding will be fully exercisable

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

after February 14, 1992. In addition, the stock purchase agreement contains a provision whereby Tredegar has the right to maintain its pro-rata equity, ownership interest in the Company, as defined. As the result of the Company's public sale of common stock on June 7, 1991, Tredegar purchased an additional 112,500 shares of common stock at \$8.00 per share. Pursuant to the stock purchase agreement, Tredegar has a right of first offer to license the Company's technology for non-pharmaceutical and non-medical applications. This right expires on February 15, 1994.

During 1989, the Company sold 20,000 shares of common stock to two consultants in consideration for three three-year notes receivable totaling \$188,750. The agreement under which these shares were sold contains a clause whereby the notes will be forgiven upon certain provisions being met or a change of control of the Company, as defined. The Company has accounted for this transaction as compensatory stock and, accordingly, has established a contra-equity account, which is being amortized to operations over the life of the notes. The balance remaining to be amortized at January 31, 1992 was \$31,424.

The Company, in connection with its initial public offering and subsequent equity financings, issued rights and warrants. These rights and warrants entitle the holder to purchase an equal number of shares of common stock. The warrants and rights expire at various times through November, 1994. As of January 31, 1992, a total of 686,935 rights and warrants were exercisable (see Note 12).

Rights and warrant activity for the six months ended January 31, 1992 is summarized as follows:

	<u>Number of Rights and Warrants</u>	<u>Price Range</u>
Balance outstanding, July 31, 1991	1,436,806	\$6.00 - \$10.50
Exercised	<u>642,728</u>	\$6.00 - \$ 8.25
Balance outstanding, January 31, 1992	<u>794,078</u>	\$6.00 - \$10.50

8. Stock Options:

During 1988, the Company adopted the 1988 Stock Option Plan (the "1988 Plan"). Under the 1988 Plan, a maximum of 750,000 shares of common stock are available for awards ("Options"). Such

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

Options can be granted to employees, consultants and outside directors, as defined. The Options vest over a period determined by the Board of Directors, expire at various dates through October 2000, and may not be issued at exercise prices below the fair market value of the Company's common stock on the date of the award. As of January 31, 1992, a total of 148,035 options were outstanding. Options for an additional 173,098 shares were granted and exercised prior to January 31, 1992. As of January 31, 1992, a total of 58,065 options were exercisable. As a result of the adoption in January 1992 of a new stock option plan, no additional awards will be granted under the 1988 Plan.

In addition, the Company has issued a total of 1,057,392 options outside of the 1988 Plan. Such options were issued to investors, employees and consultants in connection with equity transactions, employment agreements and consulting contracts. At January 31, 1992, 876,844 of these options were exercisable.

Option activity for the six months ended January 31, 1992 is summarized as follows:

	<u>Number of Options</u>	<u>Price Range</u>
Balance outstanding, July 31, 1991	1,132,892	\$ 6.00 - \$17.34
Granted	281,300	\$11.00 - \$20.00
Exercised	163,098	\$ 6.00 - \$ 8.25
Terminated and canceled	<u>45,667</u>	\$8.25
Balance outstanding, January 31, 1992	<u>1,205,427</u>	\$ 6.00 - \$20.00

On January 21, 1992, the stockholders of the Company approved the adoption of the 1991 Stock Option Plan (the "1991 Plan"). The 1991 Plan permits the Company to grant employees and consultants ("participants") the option to purchase an aggregate of 400,000 shares of the Company's common stock. The terms of the 1991 Plan provide for the issuance of either incentive stock options ("ISOs") or options which do not qualify as ISOs ("non-ISOs"), as defined by the Internal Revenue Code. ISOs may not be granted to participants at exercise prices below fair market value of the common stock on the date of grant (110% of fair market value for employees who own 10% or more of the Company). Non-ISOs may not

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

be granted to employees at less than par value of the common stock. The options will be awarded by an independent committee of the Board of Directors who will determine the vesting period.

Generally, the options expire within a five- to ten-year period as determined by the committee and as defined by the agreement. No awards have been issued under this plan to date.

9. Major Customer:

Clinical testing revenues are derived from customers in the pharmaceutical industry. During the six months ended January 31, 1991, approximately 89% of the clinical testing revenues were derived from four customers. There were no clinical testing revenues during the same period in 1992 (Note 11).

During the six months ended January 31, 1992, research and development contract revenue was derived from a single customer. During the corresponding period in 1991, substantially all research and development revenue was derived from one customer.

10. Net Operating Loss Carry-forwards:

At January 31, 1992, the Company has, for financial-reporting and income tax purposes, a net operating loss carry-forward of approximately \$10.6 million and \$10.1 million, respectively. Such net operating loss carry-forwards will expire during the years through 2006. The Company also has a research and development tax credit carry-forward of approximately \$400,000. This credit expires in various years through 2006.

The difference between the net operating loss carry-forward used for financial accounting purposes and income tax reporting purposes is attributable to temporary differences in connection with different expense recognition policies primarily associated with fixed assets and the loss from the sale of the clinical testing line of business.

11. Sale of Clinical Testing Line of Business:

The Company sold its clinical testing line of business, effective July 31, 1991, to CTA Bio Services, Inc. ("CTABSI"), a company owned by three former employees of the Company ("the former employees"), for \$251,000.

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

The assets sold included \$199,000 of receivables on projects accounted for on a percentage-of-completion basis that still required additional work (to be performed by CTABSI), \$118,400 of cash collected on certain clinical contracts, approximately \$76,000 of leasehold improvements to the clinical testing facilities and clinical testing equipment valued at approximately \$134,500. The total book value of all the assets sold was approximately \$527,900.

The purchase price was paid by the delivery of two notes from CTABSI. One note for \$211,000 (the "First Note") is payable on July 31, 1995, and bears interest at 12% per annum beginning on July 31, 1994. The First Note is collateralized by accounts receivable and certain assets of CTABSI. Payments of principal are required to be made prior to maturity to the extent of 7-1/2% of amounts collected by CTABSI on receivables generated prior to July 31, 1991, which were assigned to CTABSI, and 5% of amounts collected by CTABSI on receivables generated by it after July 31, 1991. The second note for \$40,000 (the "Second Note") is payable in four \$10,000 semi-annual installments beginning January 31, 1993, and bears interest from August 31, 1991 at 8% per annum payable monthly. The Second Note is collateralized by 55,000 stock options to purchase stock of the Company which are owned by the former employees. Under generally accepted accounting principles, proceeds from the sale will be recognized only as income from the notes is collected. There can be no assurance that CTABSI will be able to operate its business successfully so as to be able to pay the notes.

As part of this transaction, the Company provided a \$180,000 working capital loan to CTABSI, which is due and payable in four \$45,000 semi-annual installments commencing January 31, 1993, and bearing interest from August 31, 1991 at 8% per annum, payable monthly. This working capital loan is also collateralized by the 55,000 stock options noted above. The Company has also agreed to make available revolving loans to CTABSI, under certain conditions, until January 31, 1994, in amounts equal to 50% of the anticipated initial proceeds of bona fide executed contracts entered into by CTABSI to provide services to third parties. Such revolving loans shall not exceed \$100,000 in the aggregate or \$50,000 with respect to any one clinical contract. To be eligible for a loan, the contract upon which the loans are to be made must be approved by the Company. Each of such loans will bear interest at the prime rate, payable monthly, and the principal will be due within 5 days after CTABSI receives payment on account of the contract for which it is made. The revolving

Continued

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

NOTES to FINANCIAL STATEMENTS, Continued

loans will be personally guaranteed by the former employees of CTABSI and will be collateralized by assignments of the contracts involved.

The transaction also provided for CTABSI to sublease office space from the Company at a per-month charge of approximately \$5,700 starting August 1, 1991. The sublease was terminated on January 31, 1992 in connection with the Company's move to new facilities (see Note 5(a)).

12. Subsequent Events:

During the period from February 1, 1992 through February 14, 1992, the Company received approximately \$4.8 million in proceeds in connection with the exercise of 772,577 options and warrants which converted into an equal number of shares of common stock. That number of shares included 214,285 shares which were purchased by Tredegar (see Note 7). Had these transactions occurred on January 31, 1992, there would have been an increase in cash and stockholders' equity of approximately \$4.8 million.

Part I. Financial Information

Item I. Financial Statements

Emisphere Technologies, Inc.

Financial Statements

The interim Condensed Statements of Operations for the quarters ended January 31, 1991 and 1992 and the Condensed Balance Sheet as of July 31, 1991 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and article 10 of regulation S-X. Accordingly, they do not include all information and disclosures necessary for a presentation of results of operations, and financial position in conformity with generally accepted accounting principles.

However, in the opinion of management, these financial statements reflect all adjustments necessary for a fair presentation of the Company's financial position and results of operations for such periods. The results of operations for any interim period are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Registrant's most recent annual report on form 10-K for the fiscal year ended July 31, 1991.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

CONDENSED BALANCE SHEET

ASSETS

	July 31, <u>1991</u>
CURRENT:	
Cash and cash equivalents	\$3,503,490
Investments	3,247,771
Prepaid expenses and other assets	<u>99,507</u>
TOTAL CURRENT ASSETS	<u>6,850,768</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS	<u>689,473</u>
OTHER:	
Escrow deposit for legal settlement	50,000
Notes receivable - clinical sale	180,000
Deposits, net organization costs, and other assets	<u>40,743</u>
TOTAL OTHER ASSETS	<u>270,743</u>
	<u>\$7,810,984</u>

The July 31, 1991 Condensed Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

EMISPHERE TECHNOLOGIES, INC.
(formerly Clinical Technologies Associates, Inc.)

CONDENSED BALANCE SHEET
(CONT'D)

LIABILITIES AND STOCKHOLDERS' EQUITY

	July 31, <u>1991</u>
CURRENT LIABILITIES:	
Loans payable - clinical sale	\$ 259,175
Accounts payable	361,722
Accrued expenses	75,577
Contract deposits	80,000
Post termination benefits	<u>560,322</u>
TOTAL CURRENT LIABILITIES	<u>1,336,796</u>
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred stock, non-cumulative \$.01 par-shares authorized, 1,000,000; outstanding, none	
Common stock, \$.01 par-shares authorized, 20,000,000; issued and outstanding 4,398,295	43,983
Additional paid-in capital	14,712,382
Compensatory stock	(62,852)
Deficit	<u>(8,219,325)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>6,474,188</u>
	<u>\$7,810,984</u>

The July 31, 1991 Condensed Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

EMISPHERE TECHNOLOGIES, INC.
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CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months ended <u>January 31,</u>	
	<u>1991</u>	<u>1992</u>
REVENUES:		
Clinical testing services	\$ 183,524	
Research and development contracts	<u>261,500</u>	
	<u>445,024</u>	
COSTS AND EXPENSES:		
Direct costs of clinical testing services	220,453	
General, administrative and selling expenses	454,153	\$500,600
Research and development	325,207	850,392
Depreciation and amortization	<u>33,663</u>	<u>131,583</u>
TOTAL OPERATING EXPENSES	<u>1,033,476</u>	<u>1,482,575</u>
OPERATING (LOSS)	<u>(588,452)</u>	<u>(1,482,575)</u>
OTHER INCOME (EXPENSES)		
Interest expense	(12,386)	—
Interest income	12,254	111,839
Miscellaneous income	<u>—</u>	<u>14,053</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(132)</u>	<u>125,892</u>
NET (LOSS)	<u>(\$ 588,584)</u>	<u>(\$ 1,356,683)</u>
NET LOSS PER SHARE	<u>(\$0.19)</u>	<u>(\$0.27)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>3,156,042</u>	<u>5,043,128</u>

The operating statements above do not include all disclosures
required by generally accepted accounting principles.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company was originally organized to perform independent contract clinical research and development testing for the pharmaceutical industry. Beginning in fiscal 1989, the Company began to focus on both its clinical testing service and the development of one application of its proprietary oral delivery system. Fiscal 1990 was spent expanding the clinical research facilities and preparing for an increased emphasis on the Company's oral drug delivery system. During fiscal 1991 the Company decided to concentrate on the research and development activities surrounding its oral drug delivery system. As a result, a decision was made to divest the Company's clinical testing line of business. Effective July 31, 1991, the Company sold its clinical testing line of business to CTA Bio Services, Inc. ("CTABSI"). CTABSI is owned by certain former employees of the Company who purchased the clinical testing business for a series of notes totaling \$251,000. With the divestiture of its clinical testing business in fiscal 1991, the Company's primary focus is on the development of its oral drug delivery system. Management does not believe that the Company's operations are significantly affected by inflation or seasonality. The Company has historically generated all of its research and development revenues under its contracts with its pharmaceutical clients, which generally provide for non-recurring payments upon the signing of the agreements and further lump-sum payments at certain stages of the research and development program. Research and development revenue is recognized ratably over the contract period; provided that where contracts contain provisions whereby the Company receives additional payments for services rendered if certain test objectives are achieved, these payments are recognized as income when received.

The Company was incorporated in Delaware on July 21, 1986 and is the successor, by merger effective July 31, 1986, to its parent, Clinical Technologies Associates, Inc., a New York corporation organized on April 25, 1985. The Company's principal executive office is located at 15 Skyline Drive, Hawthorne, New York 10532.

Following stockholder approval, which the Company received at its annual stockholders' meeting held January 21, 1992, the Company changed its name to Emisphere Technologies, Inc., from Clinical Technologies Associates, Inc.

RESULTS OF OPERATIONS

Three Months Ended January 31, 1992 and Three Months Ended January 31, 1991

For the three months ended January 31, 1992, the Company had no research and development revenues, as compared with \$261,500 in research and development revenue for the three months ended January 31, 1991. During the three months ended January 31, 1992, the Company

continued the scientific work on its various research and development contracts, however, no scientific milestones were completed which would have produced revenues for the Company. Research and development revenues for the three months ended January 31, 1991, were derived from the Company's contract with The Upjohn Company. In December of 1991, the Company entered into a feasibility contract with the Schering-Plough Corporation, but work under this contract had not begun by January 31, 1992. The Company is currently in discussions regarding the licensing of its technology with a number of pharmaceutical and biotechnology companies, however, no assurance can be given that any agreements will be consummated or that any resulting agreement would yield revenues to the Company in amounts comparable to what has been earned in the past. Clinical testing revenue for the three months ended January 31, 1991 totaled approximately \$183,500.

General administrative and selling expenses increased approximately \$46,400 for the three month period ended January 31, 1992 compared to the three month period ended January 31, 1991. The increased costs reflect higher administrative and payroll expenses and certain one-time charges associated with the restructuring of the Company's Board of Directors, offset in part by a decrease in legal fees.

Research and development costs for the three month period ended January 31, 1992 increased approximately \$525,200 compared to the three month period ended January 31, 1991. This change reflects an increase in research and development personnel, and additional expenditures for both laboratory supplies and services. In addition, the Company utilized the services of approximately 11 external research collaborations during the three months ended January 31, 1992, approximately four of these collaborations existed during the three month period ended January 31, 1991. The Company expects to increase its research and development staff during the remainder of the fiscal year, and, therefore, it is anticipated that research and development expenditures will continue to rise.

Depreciation and amortization increased approximately \$97,900 during the three month period ended January 31, 1992 compared to the three month period ended January 31, 1991. This increase was the result of the write-off of approximately \$96,000 of equipment and leasehold improvements the Company abandoned in connection with its recently completed move to new office and laboratory space.

The Company repaid all of its outstanding loans in August 1990 and accordingly no interest expense was incurred during the three month period ended January 31, 1992.

Interest income increased approximately \$99,600 for the three month period ended January 31, 1992 compared to the three month period ended January 31, 1991, primarily as a result of the maintenance of higher cash balances. The Company, through the sale of common stock and funds received from the exercise of options and warrants, realized net proceeds of approximately \$9.4 million during the year ended July 31, 1991, and also realized approximately \$5.0 million in net proceeds from the conversion of options and warrants during the six months ended January 31, 1992.

The Company sold its clinical testing line of business in July 1991. Generally accepted

accounting principles dictated that proceeds from the sale were to be recognized only as collected. The \$14,000 in miscellaneous income during the three months ended January 31, 1992 represented payments received in connection with the sale of the clinical testing line of business; there were no similar payments during the corresponding three months ended January 31, 1991.

Six Months Ended January 31, 1992 and Six Months Ended January 31, 1991

For the six months ended January 31, 1992, research and development revenues amounted to \$75,000, compared to research and development revenues of \$520,000 for the corresponding period ended January 31, 1991. Research and development revenues for the six months ended January 31, 1992 consisted of the recognition of a payment under the Company's agreement with Sandoz Pharmaceuticals. Research and development revenues for the period ended January 31, 1991 were derived from the Company's contract with The Upjohn Company. In December of 1991, the Company entered into a feasibility contract with The Schering-Plough Corporation. The Company is currently in discussions regarding the licensing of its technology with a number of pharmaceutical and biotechnology companies. However, no assurance can be given that any agreements will be consummated or that any resulting agreements would yield revenues to the Company in amounts comparable with what has been earned in the past. Clinical testing revenues for the six month period ended January 31, 1991 amounted to approximately \$403,500.

General, administrative and selling expenses increased by approximately \$103,000 for the six month period ended January 31, 1992 compared to the six month period ended January 31, 1991. The increased costs reflect higher administrative and payroll charges, an increase in the use of outside consultants and certain one-time charges associated with the restructuring of the Company's Board of Directors in November 1991, offset in part by a decrease in legal fees.

Research and development costs for the six months ended January 31, 1992 increased approximately \$1,063,200 compared to the six month period ended January 31, 1991. This change reflects an increase in research and development personnel and additional expenditures for laboratory supplies and services. In addition, the Company utilized the services of approximately 11 external research collaborations during the six month period ended January 31, 1992, approximately four of these collaborations existed during the six month period ended January 31, 1991. The Company expects to increase its research and development staff during the remainder of the fiscal year and, therefore, it is anticipated that research and development expenditures will continue to rise.

During the six months ended January 31, 1992, depreciation and amortization expense increased approximately \$109,600 as compared to the six month period ended January 31, 1991. The increase was a result of the purchase of laboratory equipment and a write-off of approximately \$96,000 of equipment and leasehold improvements which the Company abandoned in connection with its move to new premises. At January 31, 1992, the Company had outstanding total commitments to renovate new office and laboratory space of approximately \$328,000.

During the six months ended January 31, 1991, the Company accrued approximately \$503,000.

the then net present value of what might have been payable under the terms of an employment contract with its previous president and chief executive officer who was terminated in October of 1990. There were no corresponding charges during the six months ended January 31, 1992.

Interest expense for the six months ended January 31, 1992 decreased \$28,750 as compared to the six month period ended January 31, 1991. In August 1990 the Company repaid all of its outstanding loans. In addition, during the six month period ended January 31, 1991 the Company accrued interest charges of approximately \$13,000 on the post termination benefits noted above. There were no corresponding charges during the current six month period ended January 31, 1992.

Interest income increased by approximately \$198,700 during the six months ended January 31, 1992, as compared to the corresponding six months ended January 31, 1991, primarily as a result of the maintenance of higher cash balances. The Company, through the sale of common stock and funds received from the exercise of options and warrants, realized net proceeds of approximately \$9.4 million during the year ended July 31, 1991, and also realized approximately \$5.0 million in net proceeds from the conversion of options and warrants during the six months ended January 31, 1992.

The Company sold its clinical testing business in July 1991. In accordance with generally accepted accounting principles, proceeds from the sale are to be recognized as collected. The approximately \$35,000 in miscellaneous income during the six months ended January 31, 1992, represented payments received in connection with this sale. There were no similar payments during the six months ended January 31, 1991.

The Six Months Ended January 31, 1992 Compared to the Year Ended July 31, 1991

During the six months ended January 31, 1992, the Company received approximately \$5.0 million in net proceeds from the exercise of the various options and warrants. Based on this additional cash investment, the Company increased its cash position and reduced its current liabilities. As a result, the Company's working capital position improved approximately \$1,678,300 from approximately \$5,514,000 as of July 31, 1991, to approximately \$7,192,300 as of January 31, 1992. During the six months ended January 31, 1992, the Company committed approximately \$1.0 million to renovate and move into new office and laboratory space. As of January 31, 1992, approximately \$328,000 of this commitment remained outstanding.

Liquidity and Capital Resources

The Company has historically met its working capital requirements with proceeds of private and public equity financings. As of January 31, 1992, the Company had working capital of approximately \$7.2 million (\$12 million as of February 14, 1992). From February 9, 1989 to January 31, 1992, the Company raised approximately \$18 million from the sale of common stock, including through the exercise of options and warrants.

From February 1 to February 14, 1992, the Company received an aggregate of approximately \$4.8 million, consisting of approximately \$1.5 million in connection with the sale of additional shares of common stock to Tredegar Investments, approximately \$2.4 million in connection with the exercise of redeemable warrants which expired on February 8, 1992, and \$930,000 in connection with the exercise of warrants held by the underwriter and its affiliates for the Company's initial public offering.

The Company has recently committed approximately \$1.0 million to renovate and move into new office and laboratory space. As of January 31, 1992, approximately \$328,000 of this commitment remained outstanding. The Company intends to increase its research and development spending and this will give rise to the need for more scientific equipment and additional office space.

The Company expects that the net proceeds from its recent equity financings, together with existing funds, funds generated from operations, if any, funds received, if any, upon the exercise of outstanding options and warrants, will, under the Company's present operating assumptions, be adequate to meet its liquidity and capital requirements through 1993.

The Company does not maintain any credit lines with financial institutions.

Part II. Other Information

Item 1. Legal Proceedings

In May 1988, an action captioned Robert M. Rubin, Gerald Cohen and Arnold A. Lord v. Clinical Technologies, Inc., Solomon Steiner, Howard Pack, Arnold Friedhoff, Bruce Wilson and Luis Menocal was commenced in the Supreme Court of the State of New York, New York County. In their complaint, the plaintiffs assert claims against the Company for damages resulting from an alleged breach of an underwriting and financial consulting agreement. The individuals seek damages in an aggregate amount of \$13,900,000 together with an indeterminate amount of legal fees. A motion for summary judgment was heard and argued on May 15, 1991, and on September 3, 1991, the court rendered a decision dismissing the complaint against all defendants. The plaintiffs served a notice of appeal from the judgment entered in the Supreme Court dismissing the case. By filing the notice of appeal, plaintiffs preserved their right to appeal and, in order to perfect such right, plaintiffs must file a brief within nine months.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual stockholders' meeting held January 21, 1992, stockholders approved the following:

- (1) The Company's certificate of incorporation was amended and the Company changed its name to Emisphere Technologies, Inc., from Clinical Technologies Associates, Inc. The vote was 4,355,421 affirmative, 238,871 negative.
- (2) The implementation of the Company's 1991 stock option plan was ratified. This plan permits the granting of options to purchase an aggregate of 400,000 shares of the Company's common stock to key employees of and consultants to the Company. The vote was 2,605,393 affirmative, 453,005 negative.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K:

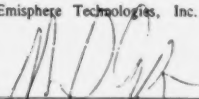
The Company filed a report on form 8-K on November 21, 1991 with respect to a change in the Company's accountants. The Company has hired Coopers and Lybrand to replace BDO Seidman.

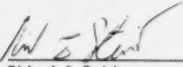
SIGNATURES

Pursuant to the requirement of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Emisphere Technologies, Inc.

Dated: March 22, 1992

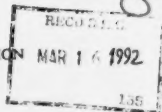


Michael M. Goldberg, M.D.
Chairman, President and Chief
Executive Officer

Richard I. Steinhart
Vice President and Chief Financial
Officer (Principal Accounting Officer)



FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934I 00-2248
33-23211For the Quarter Ended January 31, 1992Commission file number 33-23211EQUIPMENT LEASING CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)DELAWARE(State or other jurisdiction of
incorporation or organization)23-2408914(I.R.S. Employer
Identification Number)Suite 76, 501 Silverside Road, Wilmington, Delaware 19809
(Address of principal executive offices) (Zip Code)

(302) - 798 - 2335

(Toll Free: 1-800-523-5644)

Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date: \$1.00 par value common stock - 1,000 shares.

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(A) AND (B) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

PROCESSED BY

13-13-Z

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EQUIPMENT LEASING CORPORATION OF AMERICA

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EQUIPMENT LEASING CORPORATION OF AMERICA
BALANCE SHEETS

ASSETS	<u>January 31, 1992</u> (unaudited)	<u>April 30, 1991</u>
Direct finance leases:		
Aggregate future amounts receivable under lease contracts	\$14,872,567	\$11,156,558
Estimated residual value of equipment	1,409,218	1,052,752
Less:		
Unearned income under lease contracts	(3,438,631)	(2,634,902)
Advance payments	<u>(384,812)</u>	<u>(320,722)</u>
	12,458,342	9,253,686
Allowance for doubtful lease receivables	<u>(538,701)</u>	<u>(427,907)</u>
	11,919,641	8,825,779
Due from parent	1,776,606	967,570
Cash	409,836	1,303,025
Other assets	<u>374,525</u>	<u>360,597</u>
TOTAL ASSETS	\$14,480,608 =====	\$11,456,971 =====
 LIABILITIES		
Amounts payable to equipment suppliers	\$8,749	\$8,749
Accrued expenses and other accounts payable	64,386	16,433
State income taxes	15,891	17,492
Demand, Fixed Rate and Money Market Thrift Certificates	11,209,010	8,777,787
Accrued interest payable	<u>1,053,416</u>	<u>765,872</u>
	12,351,452	9,586,333
 SHAREHOLDER'S EQUITY		
Common stock \$1 par value, 1,000 shares authorized, issued and outstanding	1,000	1,000
Additional paid - in capital	999,000	999,000
Retained earnings	<u>1,129,156</u>	<u>870,638</u>
	<u>2,129,156</u>	<u>1,870,638</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$14,480,608 =====	\$11,456,971 =====

SEE ACCOMPANYING NOTES

EQUIPMENT LEASING CORPORATION OF AMERICA
STATEMENTS OF OPERATIONS

	For the Nine Months Ended January 31,		For the Three Months Ended January 31,	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:				
Income earned under direct finance lease contracts	\$1,740,236	\$1,217,450	\$420,502	\$407,345
Total revenue	<u>1,740,236</u>	<u>1,217,450</u>	<u>420,502</u>	<u>407,345</u>
Costs and expenses:				
Interest expense	727,352	577,544	285,219	203,365
General and administrative expenses	524,647	305,712	194,155	118,205
Provision for doubtful lease receivables	<u>223,634</u>	<u>169,107</u>	<u>82,392</u>	<u>61,842</u>
Total costs and expenses	<u>1,475,633</u>	<u>1,052,363</u>	<u>561,766</u>	<u>383,412</u>
Net income from operations (before provision for income tax expense)	264,603	165,087	78,733	23,933
Provision for state income tax expense	<u>6,085</u>	<u>3,607</u>	<u>2,368</u>	<u>738</u>
Net income	<u>\$258,518</u>	<u>\$161,400</u>	<u>\$76,365</u>	<u>\$23,195</u>

SEE ACCOMPANYING NOTES

EQUIPMENT LEASING CORPORATION OF AMERICA
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	<u>Common Stock</u> (\$1.00 Par Value) 1,000 shares		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
	<u>No. of shares Issued</u>	<u>Authorized Amount</u>			
Balance, April 30, 1991	1,000	\$1,000	\$999,000	\$870,638	\$1,870,638
Net income for the nine month period ended January 31, 1992 (unaudited)	--	--	--	258,518	258,518
Balance, January 31, 1992 (unaudited)	1,000	\$1,000	\$999,000	\$1,129,156	\$2,129,156

SEE ACCOMPANYING NOTES

EQUIPMENT LEASING CORPORATION OF AMERICA
STATEMENTS OF CASH FLOWS
For the Nine Months Ended January 31,

	1992 (unaudited)	1991 (unaudited)
<u>OPERATING ACTIVITIES</u>		
Net Income	\$258,518	\$161,400
Adjustment to Reconcile Net Income to Net Cash from Operating Activities:		
Depreciation	539	539
Amortization of Deferred Debt Expenses	101,007	83,132
Provision for doubtful lease receivables	<u>223,634</u>	<u>169,106</u>
	<u>583,698</u>	<u>414,177</u>
Effects of Changes in other Operating Items:		
Accrued Expenses	47,953	9,368
Accrued Interest	287,544	270,903
Other (net)	<u>(117,075)</u>	<u>(118,037)</u>
Net Cash From Operating Activities	<u>802,120</u>	<u>576,411</u>
<u>INVESTMENT ACTIVITIES</u>		
Excess of Cash Received Over Lease Income Recorded	2,725,872	1,658,054
Increase in Advance Payments	108,438	83,679
Purchase of Equipment for Direct Finance Leases	<u>(6,151,806)</u>	<u>(3,930,271)</u>
Net Cash Used in Investing Activities	<u>(3,317,496)</u>	<u>(2,188,538)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from Issuance of Demand, Fixed Rate and Money Market Thrift Certificates	4,301,084	2,467,557
Proceeds (repayments) from borrowings from Walnut	(809,036)	(594,863)
Redemption of Demand, Fixed Rate, and Money Market Thrift Certificates	<u>(1,869,861)</u>	<u>(1,487,458)</u>
Net Cash Provided by Financing Activities	<u>1,622,187</u>	<u>385,236</u>
Increase (Decrease) in Cash	(893,189)	(1,226,891)
Cash, Beginning of Year	<u>1,303,025</u>	<u>2,025,800</u>
Cash, End of Period	<u>\$409,836</u>	<u>\$789,909</u>

SEE ACCOMPANYING NOTES

EQUIPMENT LEASING CORPORATION OF AMERICA
Notes to Interim Financial Statements
Nine Months Ended January 31, 1992 and 1991

1. FINANCIAL STATEMENT PRESENTATION

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the audited financial statements and notes thereto as of April 30, 1991. The accompanying financial statements have not been audited by independent accountants, but in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the results of operations and are not necessarily indicative of the results to be expected for the full year.

2. ACCOUNTING POLICIES

Accounting for Leases

Equipment Leasing Corporation of America ("ELCOA")'s lease contracts provide for total noncancellable rentals which exceed the cost of leased equipment and, accordingly, are accounted for as direct finance leases. At inception, ELCOA records the gross lease receivable, the estimated residual value of the leased equipment, and the unearned lease income. The unearned lease income represents the excess of the gross lease receivable at inception of the contract plus the estimated residual value over the cost of the equipment being leased. ELCOA utilizes the "effective" or interest method in recognizing the remainder of unearned income. For leases originated prior to May 1, 1988, a portion of the unearned lease income equivalent to initial direct costs incurred was recognized as income on the lease commencement date. For leases originated after April 30, 1988, the Company has changed its method of accounting to conform with the requirements of FAS No. 91 "Accounting for Non Refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Cost of Leases". Under this method a portion of the initial direct costs as defined by FAS No. 91 (\$226,402 and \$118,641 for the nine months ended January 31, 1992 and 1991 respectively,) were accounted for as part of the Investment in Direct Financing leases. Unearned income is earned and initial direct costs are amortized to income using the effective method over the term of the lease.

ELCOA provides a provision for doubtful accounts based upon a periodic review (not less than quarterly) of its outstanding lease portfolio, and provides a direct charge against operations to increase the amount of stated reserves for uncollectible accounts. Any writeoffs of uncollectible leases reduce the stated amount of ELCOA's reserves. Write-offs of delinquent leases totaled \$112,840 and \$25,142 during the nine month periods ended January 31, 1992 and 1991, respectively.

Income Taxes

ELCOA will be included in a consolidated federal income tax return with its parent, Walnut Equipment Leasing Co., Inc. ("Walnut"). If the consolidated group incurs a federal income tax liability, each company's share will be based upon the allocation

policy of the consolidated group. However, Walnut and ELCOA will not file a consolidated income tax return for state income tax purposes. Each company will be subject to state income taxation on each company's separate income as computed for state tax purposes. State income taxes payable as of January 31, 1992 in the amount of \$15,891 includes \$6,085, which represents the provision for taxes on the current income.

Other Assets and Liabilities

Amounts payable to equipment suppliers in the amount of \$8,749 as of January 31, 1992 represents holdbacks from suppliers of equipment as additional security for performance by the underlying lessee on the related lease contract, and are payable at the termination of the contracts based upon the lessee's compliance with terms of the lease contract.

Other assets at January 31, 1992 include \$373,993 in deferred expenses, net of amortization, representing costs directly related to the Company's registration and solicitation of Demand, Fixed Rate and Money Market Thrift Certificates. Registration expenses of \$101,473 at January 31, 1992 are being amortized on a straight-line basis over the estimated average lives of the debt to be issued under the registration statement. Amortization of these deferred registration expenses charged to income during the nine month periods ended January 31, 1992 and 1991 were \$37,138 and \$31,721, respectively. Also, \$272,520 in commissions paid for sale of the Demand, Fixed Rate and Money Market Thrift Certificates included in Other Assets at January 31, 1992 are being amortized over the life of each respective certificate sold.

EQUIPMENT LEASING CORPORATION OF AMERICA
Management's Narrative Analysis of The Results of Operations
as Permitted by General Instruction H(1)(A) and (B)

Results of Operations for the Nine Months ended January 31, 1992 and 1991.

Revenues of \$1,740,236 and \$1,217,450 were recognized during the nine months ended January 31, 1992 and 1991, respectively. The Company utilizes the "effective" method in recognizing income from deferred income on its direct finance lease portfolio. For a more detailed discussion of the manner in which income is computed and recognized, see Footnote 2 to the Financial Statements. During the nine month periods ended January 31, 1992 and 1991, \$8,199,506 and \$3,325,013, respectively, in new gross finance lease receivables were added to the portfolio of outstanding leases, corresponding to equipment purchases of \$6,151,806 and \$3,930,271, respectively. Unearned income under direct finance leases reflected net increases of \$803,729 and \$490,630 during the nine months ended January 31, 1992 and 1991 respectively, which will be recognized over the remaining term of these leases.

Amounts paid under a service contract with Walnut for lease origination in the amounts of \$226,402 and \$118,641, respectively, were capitalized in accordance with FAS No. 91 during the nine months ended January 31, 1992, and 1991. See Footnote 2 to the Financial Statement. Beginning May 1, 1990, Walnut included its out-of-pocket costs for commissions as part of the equipment cost sold to ELCOA, and therefore, no additional reimbursement was made by ELCOA for these capitalized costs. Effective July 1, 1991, these costs increased from 3% to 4% of the equipment cost.

General and administrative expenses for the nine month periods ended January 31, 1992 and 1991 were \$524,647 and \$305,712, respectively. Included in these expenses were \$299,694 and \$139,665, respectively, in monthly servicing fees which are to reimburse Walnut for the servicing and administration of ELCOA's outstanding leases which are charged at \$5.00 per account per month under terms of the service contract dated May 23, 1986. Beginning July 1, 1991, these expenses increased to \$6.50 per account per month. As of January 31, 1992 and 1991, respectively, there were 6,153 and 3,677 leases outstanding. Also included in general and administrative expenses for the nine months ended January 31, 1992 and 1991 are \$37,138 and \$31,721, respectively, which represents the amortization of the deferred registration expenses which are included in "Other Assets" on the Balance Sheet at January 31, 1992 and 1991. See Footnote 2 to the Financial Statements for a more detailed discussion of the calculation of the amortization expense. ELCOA paid Walnut \$10,000 and \$4,500 during the nine months ended January 31, 1992 and 1991, for bookkeeping fees. These fees are to reimburse Walnut for the routine bookkeeping functions performed for ELCOA; these fees are charged at \$100 per week. Effective January 1, 1991, this fee was increased to \$250 weekly to approximate Walnut's cost incurred for these services as rendered. Also included in general and administrative expenses were \$65,348 and \$42,184, respectively, in transfer service fees paid to Financial Data, Inc, an affiliate. These expenses increased as a result of revisions in the fees charged effective May 1, 1990, which approximate the actual costs incurred for the services performed.

For the nine months ended January 31, 1992 and 1991, ELCOA recognized expenses of \$223,634 and \$169,107, respectively for its doubtful lease receivable provision, based upon the increased lease portfolio outstanding. See Footnote 2 to the Financial Statements. This provision was recognized in order to maintain an adequate allowance, based upon management's belief and historical experience, for anticipated delinquencies and impairments from doubtful direct finance lease receivables outstanding as of January 31, 1992 and 1991.

During the nine months ended January 31, 1992 and 1991, ELCOA incurred \$727,352 and \$577,544, respectively in interest expense on the Demand, Fixed Rate and Money Market Thrift Certificates. Accrued interest thereon of \$1,053,416 and \$682,978, respectively, were outstanding at January 31, 1992 and 1991. These expenses were reduced by interest income of \$130,622 and \$88,960, respectively during the nine months ended January 31, 1992 and 1991. The average rates of interest paid on the certificates (including accrued interest thereon) during these periods were 10.5% and 11.0%, respectively. Effective January 1, 1991, ELCOA and Walnut, its parent, agreed to pay each other interest on any intercompany advances during each month. Interest is charged at a rate equal to 2% above the prevailing "prime" rate of interest at Meridian Bank, Reading, Pennsylvania. During the nine months ended January 31, 1992, and 1991 ELCOA included \$98,680 and \$14,508, respectively, in interest income under this agreement.

During the nine month periods ended January 31, 1992 and 1991, ELCOA recognized provisions for state income taxes in the amounts of \$6,085 and \$3,687, respectively, based upon its net income before taxes. No provision for federal income taxes was necessary. See Footnote 2 to the Financial Statements.

Capital Resources and Liquidity

ELCOA has financed its growth to date primarily from the proceeds of sale of its debt securities, as well as from rental receipts from its outstanding lease portfolio. To date ELCOA has not experienced any difficulty in financing the purchase of new equipment for lease.

Taking into consideration new lease business, cash and unhypothecated leases on hand, anticipated sales of debt securities, and other resources, it is management's opinion that its cash will be sufficient to conduct its business and meet its anticipated obligations during the current fiscal year. No assurance can be given that the anticipated level of sales of its offering of Demand and Fixed Rate Certificates will be attained, although ELCOA is continuing the offering of Demand and Fixed Rate Certificates, to the public, declared effective on October 3, 1991. Redemptions during the nine months ended October 31, 1992 increased as a result of increased short-term certificates outstanding. See the Statement of Cash Flows on page 4 of this report for an analysis of the sources and uses of cash by ELCOA during the nine month periods ended January 31, 1992 and 1991.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

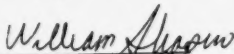
Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUIPMENT LEASING CORPORATION OF AMERICA
(Registrant)



William Shapiro, President and
Chief Financial Officer

March 13, 1992
Date

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① 356680



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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-Q

MAR 02 1992

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

Jac 22/8

For Quarter Ended January 31, 1992

Commission File No. 1-6721

HELENA SILVER MINES, INC.
Name of Registrant

MONTANA

82-0305765

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification
No.)

P. O. Box 488
Coeur d' Alene, Idaho

83814-0488

(Address of principal executive office)

(Zip Code)

(208) 667-9565

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 13 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

PROCESSED
2-2-H
MAR 12 1992

YES X

No

CLASS

LD

Microfilmed by

DATING AT January 31, 1992

Common Stock, par
value, .05¢ per share

Q-Data Corp. - St. Petersburg, FL

5,420,185

Filing contains 2 pages.

**BEST COPY
AVAILABLE**

PART I - FINANCIAL INFORMATION

The Registrant falls within the provision of Rule 13a-13(c) (3).

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HELENA SILVER MINES, INC.

Registrant

By

H. S. Sanderson
Secretary-Treasurer, Chief Financial
and Accounting Officer and Director.
H. S. Sanderson

DATE February 25, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

TOTAL OF SEQUENTIALLY NUMBERED PAGES 19
Exhibit Index on Sequentially Numbered Page 14
2/20

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QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934For the Quarter Ended MARCH 31, 1992 COMMISSION FILE NO. 0-19241**INVITRO INTERNATIONAL**(Exact Name of Registrant as Specified in its Charter)
formerly named "Ropak Laboratories"California(State or Other Jurisdiction of
Incorporation or Organization)33-0149560(I.R.S. Employer
Identification Number)16632 Millikan Avenue, Irvine, California92714

(Address of Principal Executive Office)

(Zip Code)

Registrant's telephone number, including area code: (714) 851-8356Not applicable

Former address, if changed since last report

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 12 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ [X]NO ☐ []

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:

As of March 31, 1992: 5,126,155 shares of Common Stock.

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33-0149560
MAY 21 1992
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Q-Data Corp. - St. Petersburg, FL

INVITRO INTERNATIONAL
(formerly named Ropak Laboratories)

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* The Company changed its fiscal year during 1991 from the last day in February to the last day in September, effective September 30, 1991.

**INVITRO INTERNATIONAL
CONSOLIDATED BALANCE SHEETS**

ASSETS	September 30, <u>1991</u>	March 31, <u>1992</u> (unaudited)
CURRENT ASSETS		
Cash and cash equivalents.....	\$1,114,024	\$645,607
Short-term investments.....	3,228,363	1,358,376
Accounts receivable.....	--	345,372
Accounts receivable from a related party, (Note 4).....	122,062	--
Inventories.....	577,551	636,455
Prepaid expenses and other current assets.....	<u>144,722</u>	<u>91,384</u>
TOTAL CURRENT ASSETS.....	<u>\$ 1,866,722</u>	<u>\$ 3,077,194</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS.....	<u>834,126</u>	<u>1,089,864</u>
OTHER ASSETS		
Notes receivable from officers.....	142,500	142,500
Prepaid royalties.....	63,437	55,712
Patents and trademarks, net of accumulated amortization.....	70,375	95,329
Other.....	<u>10,516</u>	<u>204,222</u>
	<u>286,828</u>	<u>497,763</u>
TOTAL ASSETS.....	<u>\$6,307,674</u>	<u>\$4,666,821</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses.....	\$343,542	\$586,347
Accounts payable to a related party, (Note 4).....	--	116,951
TOTAL CURRENT LIABILITIES.....	<u>343,542</u>	<u>723,298</u>
LONG-TERM DEBT.....	<u>--</u>	<u>--</u>
SHAREHOLDERS' EQUITY		
Preferred stock, without par value:		
Authorized - 1,000,000 shares;		
Issued and outstanding - none.....	--	--
Common stock, without par value:		
Authorized--15,000,000 shares;		
Issued and outstanding shares -		
5,126,155 at March 31, 1992 and		
5,065,155 at September 30, 1991.....	11,083,307	11,218,307
Accumulated deficit.....	<u>(5,119,175)</u>	<u>(7,276,784)</u>
TOTAL SHAREHOLDERS' EQUITY.....	<u>\$ 5,964,132</u>	<u>\$ 3,941,523</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..	<u>\$6,307,674</u>	<u>\$4,666,821</u>

See notes to financial statements.

INVITRO INTERNATIONAL
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months		Six Months	
	Ended March 31,		Ended March 31,	
	1991	1992	1991	1992
	(unaudited)		(unaudited)	
REVENUES (all sales for the three months and six months periods ended March 31, 1991 were to a related party -- (Note 4).....	\$ 362,615	\$ 468,603	\$ 661,140	\$ 732,739
COSTS AND EXPENSES:				
Costs of revenues.....	157,437	356,714	266,817	486,336
Selling, general and administrative.....	62,680	1,344,046	164,179	2,246,106
Research and development.....	144,840	295,105	207,530	514,934
TOTAL COSTS AND EXPENSES.....	364,957	1,995,865	638,526	3,247,376
(LOSS) INCOME FROM OPERATIONS..	(2,342)	(1,527,262)	22,614	(2,514,637)
Other expense (income).....	14,711	(230,948)	23,711	(357,028)
NET (LOSS).....	\$ (17,053)	\$ (1,296,314)	\$ (1,097)	\$ (2,157,609)
INCOME (LOSS) PER COMMON SHARE.	\$ (.01)	\$ (.25)	\$ (.00)	\$ (.42)
WEIGHTED AVERAGE SHARES OUTSTANDING.....	2,635,457	5,114,231	2,635,457	5,099,812

See notes to financial statements.

INVITRO INTERNATIONAL

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Total</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance at September 30, 1991..	5,065,155	\$11,083,307	\$(5,119,173)	\$5,964,132
Adjustment to reconcile to records of transfer agent.....	1,000	--	--	--
Exercise of warrants, net of expenses.....	60,000	135,000	--	135,000
Net (loss) for the six months ended March 31, 1992.....			(2,157,609)	(2,157,609)
Balance at March 31, 1992.....	<u>5,126,155</u>	<u>\$11,218,307</u>	<u>\$(7,276,784)</u>	<u>\$3,941,523</u>

See notes to financial statements.

INVITRO INTERNATIONAL
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Seven Months Ended September 30, 1991	Six Months Ended March 31, 1992 (unaudited)
OPERATING ACTIVITIES		
Net income (loss).....	\$(3,453,268)	\$(2,157,609)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from early extinguishment of debt.....	364,317	--
Depreciation and amortisation.....	100,502	86,442
Common shares issued and capital contributed for services.....	193,000	--
Common shares issued for repurchase of distribution rights.....	1,085,559	
Changes in operating assets and liabilities:		
Accounts receivable.....	112,231	(223,309)
Inventories.....	154,236	(58,904)
Other assets.....	(72,092)	(132,643)
Accounts payable and accrued expenses.....	(126,062)	379,756
Amounts due to officer/shareholder	(145,857)	--
Customer deposits.....	(232,000)	--
NET CASH USED IN OPERATING ACTIVITIES....	<u>(2,019,434)</u>	<u>(2,106,267)</u>
INVESTING ACTIVITIES		
Investment in marketable securities.....	(3,228,363)	1,869,987
Purchase of furniture, equipment and leasehold improvements.....	(877,069)	(337,793)
Patent and trademark additions.....	(24,088)	(29,344)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....	<u>(3,929,520)</u>	<u>1,502,850</u>
FINANCING ACTIVITIES		
Net proceeds from public offering of common stock, net of expenses.....	7,395,667	--
Proceeds from exercise of warrants.....	661,875	135,000
Repayment of credit line.....	(150,000)	--
Repayment of long-term debt.....	(1,150,000)	--
Notes receivable from officers/shareholders.....	(142,500)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>6,417,932</u>	<u>135,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	666,088	(468,417)
Cash and cash equivalents at beginning of period.....	<u>447,936</u>	<u>1,114,024</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD.	<u>\$ 1,114,024</u>	<u>\$ 645,607</u>

See notes to financial statements.

INVITRO INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a summary of significant policies utilized by the Company, reference is made to Note 1 of the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the transitional fiscal period ended September 30, 1991.

NOTE 2 - UNAUDITED STATEMENTS

The information set forth in these statements as of March 31, 1992 and for the three months and six months periods ended March 31, 1992 and 1991 are unaudited and may be subject to normal year-end adjustments. The information reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of results of operations of InVitro International (the "Company") for the periods indicated.

NOTE 3 - RESULTS NOT NECESSARILY INDICATIVE OF FULL YEAR

Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

NOTE 4 - RELATIONSHIP WITH ROPAK CORPORATION

In February 1989, the Company entered into a distributor agreement with Ropak Corporation for the exclusive distribution rights to all of the Company's products. Under terms of the distributor agreement, Ropak Corporation acted as the exclusive distributor and marketing representative for the Company's products and services, and incurred all expenses related to the Company's sales and marketing efforts. In return for these efforts, Ropak Corporation purchased products from the Company at a discount of approximately 40% from the Company's standard list prices.

Effective as of September 30, 1991, the distributor relationship with Ropak Corporation was terminated by mutual agreement, and the Company repurchased all rights to the marketing and sale of its products and services primarily for the issuance of 281,233 additional shares of common stock. In connection with its termination of the distributor agreement, the Company acquired the capital stock of two foreign sales subsidiaries and assumed the trade accounts receivable and trade accounts payable of these subsidiaries, which included certain accounts receivable and payable with Ropak Corporation.

As of the date of this Report, Ropak Corporation owns 1,031,233 shares of the Company's common stock (of which 750,000 shares were purchased for cash in 1989 and 1990, and 281,233 shares were issued in connection with the termination of its exclusive distributorship agreement). The President and Chairman of Ropak Corporation owns 18,750 shares of the Company's common stock and is a member of the Company's Board of Directors. Since all sales for the three months and six

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992 (continued)

months ended March 31, 1991 were to Ropak Corporation, and all accounts receivable as of September 30, 1991 were due from Ropak Corporation, such amounts are included in the financial statements as transactions with a related party. The unpaid balance of foreign subsidiaries' accounts payable to Ropak Corporation are included in the financial statements as accounts payable to a related party as of March 31, 1992. Such accounts were paid in full during the third fiscal quarter of the current year.

Results of operations subsequent to September 30, 1991 are no longer impacted by the distributor's discount previously accorded Ropak Corporation, but reflect full absorption of all sales and marketing costs, most of which were incurred by Ropak Corporation prior to October 1, 1991. As of September 30, 1991, the Company elected to change its fiscal year to September 30 to reflect this change.

INVITRO INTERNATIONAL

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

General

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report.

Effective as of September 30, 1991, the Company by mutual agreement terminated its exclusive distributor agreement with Ropak Corporation, and repurchased all sales and marketing rights to the Company's products and services. Management anticipates that the Company's sales will increase during 1992 and subsequent years as a result of terminating the former exclusive distributor agreement with Ropak Corporation and increasing the Company's commitment to reorganizing and expanding its sales and marketing. An immediate increase in sales per unit as of October 1, 1991 resulted from saving the price discount of approximately 40% previously accorded the former distributor. In addition, increases are expected from recent additions to sales, marketing and technical support staff.

The impact of hiring sales and marketing personnel formerly employed by the distributor and of hiring additional sales and technical support personnel, however, have added substantially to sales and marketing expenses as compared to prior periods. Prospective revenue increases, if any, from adding new personnel and reorganizing sales and marketing programs are expected to require significant lead time in developing new customer accounts as well as expanding use by existing accounts.

The Company elected to change the end of its fiscal year from the last day of February to the last day of September as of September 30, 1991, so that its results of operations in each full fiscal year henceforth will be comparable and correspond with the effective date of the Company's reacquisition of its sales and marketing rights.

Results of Operations

SIX MONTHS AND THREE MONTHS ENDED MARCH 31, 1992
COMPARED TO SIX AND THREE MONTHS ENDED MARCH 31, 1991,
AND THE PRIOR THREE MONTHS ENDED DECEMBER 31, 1991

Net sales for the six months ended March 31, 1992 (the "First Half") were \$732,739, an increase of 10.81 compared to \$661,140 for the six months ended March 31, 1991. Sales for the First Half reflect a decline in unit volume compared to the comparable period of the prior year, since the Company no longer was required to absorb a 40% distributor discount which impacted sales for periods prior to October 1, 1991.

Sales for the three months ended March 31, 1992 (the "Second Quarter") were \$468,603, an increase of 29.2% compared to the comparable period of the prior year and a 77.4% increase over \$264,136 in sales for the immediately preceding quarter ended December 31, 1992 (the "First Quarter"). Average monthly sales during the Second Quarter of \$156,000 reversed a declining trend in sales during 1991 (which had continued into the First Quarter, when monthly sales averaged \$88,000). Management attributes recent sales improvement to the reorganization and expansion of its sales and marketing staff, and implementation of new programs after having terminated the exclusive distributor agreement with Ropak Corporation in October 1991. Prospective additional revenue increases from adding new personnel and reorganizing sales and marketing programs, however, are expected to require significant lead time in developing new customer accounts and expanding use by existing accounts.

Costs of sales for the First Half were \$486,336, or 66.4% of sales, compared to \$266,817, or 40.4% of sales, for the comparable period of the prior year. The decrease in gross profit margin during the First Half compared to the prior year is attributable to increases in fixed manufacturing costs for direct labor, equipment, facilities and other manufacturing overhead which were not absorbed by higher unit sales volumes. During the First Half, the Company completed procedures to establish consistent production of reagent powders in its new lyophilizer. Automated assembly equipment in the final stages of completion is expected to be installed at InVitro's facility during the summer of 1992. Upon installation and debugging automated assembly equipment, the Company expects to experience improved margins from the reduction of labor required for large scale production of its test kits. Until sales increases materialize, however, the Company's gross profit margin will be penalized by inefficiencies associated with the high level of fixed costs incurred to support anticipated sales growth.

Selling, general and administrative expenses were \$2,246,106 in the First Half, as compared to \$164,179 during the six months ended March 31, 1991. Selling general and administrative expenses in the Second Quarter were \$1,344,046, compared to \$902,060 in the First Quarter and \$62,680 for the three months ended March 31, 1991.

Of total selling, general and administrative expenses in the First Half, approximately \$1,588,000 represented sales and marketing expenses which were expenses not borne by the Company in the prior fiscal year. Approximately 35% and 19% of sales and marketing expenses are directly attributable to European and Asian operations, respectively, with the balance represented by United States and management of sales and marketing. InVitro International elected to commit

substantial resources during the First Half to the reorganization and expansion of its sales, marketing and technical support staff and programs for the purpose of enable management to assess market potential for its products, and to establish a leadership position in the distribution of *in vitro* safety testing. This commitment accounts for most of the increase in expenses as compared to the prior fiscal year and the First Quarter of the current year. Other general and administrative increases since the prior fiscal year are associated with expansion of the Company's operations and the effect of becoming a publicly-held company.

Research and development expenses for the First Half were \$514,934, an increase compared to \$207,530 for the six months ended March 31, 1991. Research and development in the Second Quarter was \$295,105, compared to \$219,829 in the First Quarter and \$144,840 for the prior year's quarter ended March 31, 1991. Increases in research and development expenses are primarily attributable to increases in product validation costs deemed essential to support existing and future sales and marketing efforts, plus the expenses of new product development (principally SOLATEX).

Other income of \$357,028 for the First Half is primarily the result of interest and investment income attributable to short-term investment of proceeds received from the Company's public stock offering in May 1991. During the prior year, other expense of \$23,711 for the six months ended March 31, 1991 represented interest expense on indebtedness which was fully repaid during 1991.

Liquidity and Capital Resources

The Company's principal capital requirements relate to working capital for sales and marketing, the production of inventories, general and administrative expenses, and research and development.

Most of the Company's working capital consists of cash, cash equivalents and short-term investments in liquid marketable securities, which totalled \$2,003,983 at March 31, 1992. As of March 31, 1992, the Company's working capital was \$2,353,896 as compared to working capital of \$4,843,180 at September 30, 1991. The decline in working capital is primarily attributable to a net loss for the six months ended March 31, 1992 of \$2,157,609, increases in fixed assets of \$337,793, and increases in accounts receivable of \$223,309. Outstanding unpaid commitments for capital expenditures as of March 31, 1992 totaled approximately \$30,000, and no significant capital expenditures are currently planned for the balance of 1992.

Management anticipates that working capital will continue to be depleted for the immediate future due to losses from operations. Until additional sale increases occur, revenues are less than the amounts necessary to cover fixed expenses for manufacturing overhead, research and development, and selling, general and administrative expenses. Sales increases will be dependent in part upon expanding use of the Company's products and services by its existing customers, many of whom are in the early stages of evaluating *in vitro* testing methods developed by the Company and others. Sales in the later stages of 1992 may also benefit from the planned introduction of new products.

The Company estimates its current operating cash requirements at approximately \$400,000 per month, depending in part upon sales volume. The Company's management believes that current funds and internally generated cash

from operations will be sufficient to fund planned research and product development activities and working capital requirements of the Company for the fiscal year ending September 30, 1992. The Company's ability to sustain its current level of expenditures thereafter will be dependent upon future sales growth, the sale of additional equity capital, or a combination thereof. Should future sales growth fail to materialize, the Company anticipates that liquidity problems would be addressed by reducing the level of selling, general and administrative expenses incurred to support anticipated future growth and by reducing or deferring certain research and development efforts.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings. Inapplicable.
- Item 2. Changes in Securities. Inapplicable.
- Item 3. Defaults Upon Senior Securities. Inapplicable.
- Item 4. Submission of Matters to a Vote of Security Holders.

The 1992 annual meeting of the Company's shareholders was held on March 27, 1992. Matters voted on at the annual meeting were included (a) a proposed amendment of the Company's charter to change the corporate name to INVITRO INTERNATIONAL; (b) a proposed amendment of the Company's Bylaws to increase the authorized number of directors from 3 to 5 in number to a range of 5 to 9 in number; (c) election of a Board of seven directors; and (iv) a proposal to approve the Company's 1991 Stock Option Plan covering 300,000 shares of the Company's Common Stock.

All of the foregoing matters are described in the Company's proxy statement dated February 26, 1992 (the "Proxy Statement"), definitive copies of which were filed with the Securities and Exchange Commission. The result of voting on matters presented to the meeting were as follows:

- (i) By a vote of 4,856,393 shares in favor and 2,700 shares against, shareholders approved the amendment of the Company's charter to change the corporate name to INVITRO INTERNATIONAL. Reference is made to the caption "Proposal to Amend Corporate Name" in the Proxy Statement and to Exhibit 3.1.8 filed with this Report on Form 10-Q.
- (ii) By a vote of 3,120,617 shares in favor and 29,900 shares against, shareholders approved the amendment of Section 2 of Article III of the Company's Bylaws to increase the authorized number of directors from 3 to 5 in number to a range of 5 to 9 in number. Reference is

made to the caption "Proposal to Increase Authorized Number of Directors" in the Proxy Statement and to Exhibit 3.2.2 filed with this Report on Form 10-Q.

- (iii) The following persons were electors to serve as directors of the Company until the next annual meeting of shareholders:

William M. Curtis
William J. Fisher
Virginia C. Gordon
Christopher P. Kelly
Alan M. Novich
William H. Roper
Ricardo J. Soto

- (iv) By a vote of 2,903,327 shares in favor and 59,400 shares against, shareholders approved the adoption of the Company's 1991 Stock Option Plan covering 300,000 shares of the Company's Common Stock. Reference is made to the caption "Proposal to Approve 1991 Stock Option Plan" in the Proxy Statement and to Exhibit 10.11 filed with the Company's Report on Form 10-K for the Transitional Period of Seven Months ended September 30, 1991.

Item 5. Other Information.

Effective as of April 1, 1992, the Company's corporate name was changed from "Ropak Laboratories" to "InVitro International". See Item 4 above.

Item 6. Exhibits and Report on Form 8-K.

- (a) Exhibits Filed with this Report:

<u>Exhibit Number</u>	<u>Description</u>
3.1.8	Certificate of Amendment to Articles of Incorporation of Registrant, filed with Secretary of State of California on April 1, 1992.
3.2.2	Amendment to Section 2 of Article III of Registrant's ByLaws, adopted by shareholder vote on March 27, 1992.
4.1	Specimen of Registrant's Common Stock certificate.
4.2	Specimen of redeemable Common Stock Purchase Warrants exercisable at \$5.00 per share and expiring on May 15, 1996.

Reports on Form 8-K: Inapplicable.

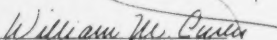
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 16, 1992

INVITRO INTERNATIONAL

By:


William M. Curtis,

Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBITS
to
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended MARCH 31, 1992

COMMISSION FILE NO. 0-19241

<u>Exhibit Number</u>	<u>Description</u>	<u>Page No.</u>
3.1.8	Certificate of Amendment to Articles of Incorporation of Registrant, filed with Secretary of State of California on April 1, 1992.....	15
3.2.2	Amendment to Section 2 of Article III of Registrant's Bylaws, adopted by shareholder vote on March 27, 1992...	17
4.1	Specimen of Registrant's Common Stock certificate.....	18
4.2	Specimen of redeemable Common Stock Purchase Warrants exercisable at \$5.00 per share and expiring on May 15, 1996.....	19



State
of
California
OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

APR - 3 1992



March Fong Eu

Secretary of State

EXHIBIT 3.1.8

A416168

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
ROPAK LABORATORIES

ENDORSED
FILED
In the Office of the Secretary of State
of the State of California

APR 1 1992

MACCHONGELLI Secretary of State

WILLIAM J. FISHER and WILLIAM M. CURTIS certify that:

1. They are the president and the secretary, respectively, of ROPAK LABORATORIES, a California corporation.
2. Article I of the articles of incorporation of this corporation is amended to read as follows:

"ARTICLE I

The name of this corporation is INVITRO INTERNATIONAL."

3. The foregoing amendment of articles of incorporation has been duly approved by the board of directors.
4. The foregoing amendment of articles of incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the corporation is 5,111,155. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct to my own knowledge.

Date: March 27, 1992

William J. Fisher

WILLIAM J. FISHER, President

William M. Curtis

WILLIAM M. CURTIS, Secretary

AMENDMENT TO BYLAWS
of
INVITRO INTERNATIONAL
adopted by vote of shareholders
on March 27, 1992

Section 2 of Article III of the corporation's Bylaws is amended to read as follows:

Section 2. NUMBER OF DIRECTORS. The authorized number of directors shall be not less than five (5) nor more than nine (9), with the exact number of directors to be fixed, within the limits specified above, by approval of the Board of Directors, until such time as this Section 2 is changed by amendment of the Articles or by a Bylaw duly adopted by shareholders amending this Section 2 in accordance with Section 212 of the California General Corporation Law.

EXHIBIT 3.2.2

RO

ROPAK

LABORATORIES

INCORPORATED UNDER THE LAWS
OF THE STATE OF CALIFORNIA

SEE REVERSE FOR CERTAIN INFORMATION
CUSTIP 465553 10

This Certifies That

is the Record Holder of

FULLY PAID AND NON ASSESSABLE SHARES, WITHOUT PAR VALUE, OF THE COMMON STOCK OF

ROPAK LABORATORIES

transferable on the share register of the Corporation by the holder hereof, in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent registered by the Registrar.

This certificate and the shares represented thereby shall be held subject to the provisions of the Articles of Incorporation and the By-Laws of said Corporation, a copy of each of which is on file at the office of the Corporation and made a part hereof as fully as though the provisions of said Articles of Incorporation and By-Laws were inserted in this certificate, to all of which the holder of this certificate, by acceptance hereof, assents and agrees to be bound.

Any shareholder may obtain from the principal office of the Corporation, upon request and without charge, a statement of the number of shares constituting each class or series of stock and the designation thereof, and the rights, preferences, privileges, and restrictions granted to or imposed upon the respective classes or series of stock and upon the holders thereof by said Articles of Incorporation and the By-Laws.

The address of the principal office of the Corporation is 32 Milliken Avenue, Irvine, California 92714.

WITNESS the facsimile seal of the Corporation and the signatures of its duly authorized officers.

Dated:

William H. Roper



EXHIBIT 4.1

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM — as tenants in common

TEN ENT — as tenants by the entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

COM PROP — as community property

UNIF GIFT MIN ACT — Custodian
(Trust) (Minor)
Under Uniform Gifts to Minors Act
(State)

UNIF TRF MIN ACT — Custodian (until age _____)
(Trust) Under Uniform Transfers to Minors Act
(State)

Additional abbreviations may also be used though not in the above list

For Value Received, _____ hereby sell, assign and transfer unto _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____ Shares
of the Common Stock represented by the within certificate, and do hereby irrevocably constitute and appoint

_____ Attorney
to transfer the said shares on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without addition or enlargement or any change whatsoever.

**STOCK PURCHASE WARRANT CERTIFICATE FOR
PURCHASE OF COMMON STOCK**

ROPAK

LABORATORIES

WARRANTS

CUSIP 465853 11 1

This certifies that FOR VALUE RECEIVED

[illegible]

Checked

ROPAK LABORATORIES

9

William M. Crockett

Secretary-Treasurer

Protein Synthesis



Address: 10000

Contents of the American Price Handbook & Their Comments on Various Aspects

SUBSCRIPTION FORM

To Be Executed by the Registered Holder
in Order to Exercise Warrants

The undersigned Registered Holder hereby irrevocably elects to exercise _____ Warrants represented by this Warrant Certificate, and to purchase the securities issuable upon the exercise of such Warrants, and requests that certificates for such securities shall be issued in the name of _____
PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER

and be delivered to _____

(please print or type name and address)

(please print or type name and address)

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

The undersigned represents that the exercise of the within Warrant was solicited by a member of the National Association of Securities Dealers, Inc. If not solicited by an NASD member, please write "unsolicited" in the space below. Unless otherwise indicated by listing the name of another NASD member firm, it will be assumed that the exercise was solicited by STRATTON OAKMONT INC.

Dated: _____

X

(Name of NASD Member if other than Stratton Oakmont Inc.)

Taxpayer Identification Number

Signature Guaranteed

ASSIGNMENT

To Be Executed by the Registered Holder
in Order to Assign Warrants

FOR VALUE RECEIVED

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER

hereby sells, assigns and transfers unto _____

(please print or type name and address)

of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitutes and appoints _____

to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Attorney

Dated: _____

X

Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OR THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME AS WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR MINNEAPOLIS STOCK EXCHANGE.

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031767
Q 35564

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAR 1 1992
10y

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act
(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

402-2218

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended _____ Commission file number 33-26081-NY

CAPITAL
Lincoln Capital Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

11-2867201

(I.R.S. Employer
Identification No.)

3279 Harold Street, Oceanside, New York
(Address of principal executive offices)

11572

(Zip code)

(Registrant's telephone number, including area code) (212) 888-2955

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by section 13 or 15 (d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of January 31, 1992:

Common Stock, \$.0001 Par Value
Class

3,580,000
Number of Shares

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10-10-X

MAR 23 1992

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Lincoln Capital Corp.

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Balance Sheets

January 31, 1992 (Unaudited)
and July 31, 1991

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Statements of Operations (Unaudited)

Cumulative February 18, 1988
(Date of inception) to January 31,
1992 and six months and three months
ended January 31, 1992

2

Statements of Cash Flows (Unaudited)

Cumulative February 18, 1988
(Date of Inception) to January 31, 1992 and
Six months Ended January 31, 1992 and 1991

3

Notes to Financial Statements (Unaudited)

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Lincoln Capital Corp.
(A Development Stage Company)
Balance Sheets

<u>ASSETS</u>	January 31, <u>1992</u>	July 31, <u>1991</u>
<u>Current Assets:</u>		
Cash	\$13514	\$22841
Total current assets	<u>13514</u>	<u>22841</u>
Office equipment	1085	0
Organizational costs	<u>500</u>	<u>500</u>
Total assets	<u>\$15099</u>	<u>\$23341</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 2373	\$ 5523
Total current liabilities	<u>2373</u>	<u>5523</u>
<u>Shareholders' equity</u>		
Common stock, \$.0001 par value; 100,000,000 shares authorized; 3,580,000 issued and outstanding	536	536
Additional paid in capital	25917	25917
Redeemable Class A warrants, each warrant entitling the holder to purchase one share of Common Stock and one Redeemable Class B warrant at a price of \$0.10 to September 9, 1992; 8,900,000 issued and outstanding	0	0
Retained earnings (deficit) accumulated during the development stage	(13727)	(8635)
Total shareholders equity	<u>12726</u>	<u>17818</u>
Total liabilities and shareholders' equity	<u>\$15099</u>	<u>\$23341</u>

See accountants' review report and notes to financial statements

Lincoln Capital Corp.
(A Development Stage Company)
Statements of Operations

Cumulative Feb. 18, 1988 (inception) to <u>January 31, 1992</u>	Six Months Ended January 31, <u>1992</u>	Three Months Ended January 31, <u>1991</u>	<u>1992</u>	<u>1991</u>
--	--	--	-------------	-------------

Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Expenses:					
General & Administrative	<u>13727</u>	<u>5092</u>	<u>3233</u>	<u>1679</u>	<u>1883</u>
Total Cost and Expenses	<u>13727</u>	<u>5092</u>	<u>3233</u>	<u>1679</u>	<u>1883</u>
Net income(loss)	<u>\$(13727)</u>	<u>\$(5092)</u>	<u>\$(3233)</u>	<u>\$(1679)</u>	<u>\$(1883)</u>
Net income(loss)per share	<u>\$(.00)</u>	<u>\$(.00)</u>	<u>\$(.00)</u>	<u>\$(.00)</u>	<u>\$(.00)</u>
Weighted average number of outstanding	<u>2554772</u>	<u>3580000</u>	<u>3386666</u>	<u>3580000</u>	<u>3580000</u>

See accountants' review report and notes to financial statements

Lincoln Capital Corp.
(A Development Stage Company)
Statements of Cash Flows

	Cumulative Feb 18, 1989 (inception to) <u>January 31, 1992</u>	Six Months Ended January 31, <u>1992</u>	<u>1991</u>
Cash flows from operating activities			
Net income (loss)	\$(13727)	\$(5092)	\$(3233)
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Increase(decrease) in accounts payable and accrued expenses	<u>2373</u>	<u>(3150)</u>	<u>(4703)</u>
Net cash provided (used) by operating activities	(11354)	(8242)	(7936)
Cash flows from investing activities:			
(Increase) in office equipment	(1085)	(1085)	0
(Increase) in organizational costs	<u>(500)</u>	<u>0</u>	<u>0</u>
Net cash provided(used) by investing activities	<u>(1585)</u>	<u>(1085)</u>	<u>0</u>
Cash flows from financing activities:			
Sale of securities	39900	0	23200
Decrease (increase) in deferred offering costs	0	0	8764
Deferred offering costs incurred and charged to additional paid in capital due to completion of public offering	<u>(13447)</u>	<u>0</u>	<u>(8764)</u>
Net cash provided(used) by financing activities	<u>26453</u>	<u>0</u>	<u>23200</u>
Net increase(decrease) in cash	13514	(9327)	15264
Cash, beginning of period	<u>0</u>	<u>22841</u>	<u>12689</u>
Cash, end of period	<u>\$13514</u>	<u>\$13514</u>	<u>\$27953</u>

See accountants' review report and notes to financial statements

Lincoln Capital Corp.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
January 31, 1992

NOTE 1 - Interim Financial Statements:

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles. All adjustments which are of a normal recurring nature and, in the opinion of management, necessary for a fair presentation have been included. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report Form 10-K.

The balance sheet at July 31, 1991 has been taken from the audited financial statements of that date.

Note 2 - Changes in Shareholders' Equity:

The deficit accumulated during the development stage increased by \$5,092 which represents the net loss for the six months ended January 31, 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company has not generated any sales to date. The assets of the Company consist primarily of the proceeds raised pursuant to its initial public offering. Accordingly, any comparison of the results of operations for the six months ended January 31, 1992 and the six months ended January 31, 1991 is not meaningful.

Liquidity and Capital Resources:

At January 31, 1992 cash was \$13,514. As of January 31, 1992 the company has not yet commenced operations. Since its inception, the Company has been primarily engaged in the procurement of capital to proceed with its objective of identifying and investing in business opportunities which management believes have a potential for growth and profit. The Company believes that currently available cash will be sufficient to satisfy its foreseeable liquidity needs and capital commitments.



SCARANO & GAZZANI
Certified Public Accountants, P.C.

STEVEN M. SCARANO, CPA
MICHAEL J. GAZZANI, CPA

MARK M. EVEN
ROBERT C. BURNS

585 Stewart Avenue, Suite 101
Garden City, New York 11530
Tel. (516) 222-9394
Fax (516) 228-9396

MEMBER OF THE SEC. PRACTICE SECTION
AICPA DIVISION FOR CPA FIRMS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Lincoln Capital Corp.

We have made a review of the unaudited interim financial statements included in the accompanying Form 10-Q of Lincoln Capital Corp. as of January 31, 1992 and for the six months then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principals.

Scarano & Gazzani CPA's, P.C.

Scarano & Gazzani CPA's, P.C.
Garden City, New York
March 14, 1992

PART II - OTHER INFORMATION

ITEM 1 - Legal Proceedings:

None

ITEM 2 - Changes in Securities:

None

ITEM 3 - Default Upon Senior Securities:

None

ITEM 4 - Submission of Matters to a Vote of Security Holders:

None

ITEM 5 - Other Information:

None

ITEM 6 - Exhibits and Reports on Form 8-K:

None

FORM 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LINCOLN CAPITAL CORP.

(Registrant)

Date

3/16/72

David Best

David Best, President

Date

3/16/72

Stanley Best

Stanley Best, Secretary and Treasurer



Total Pages: 11

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORT UNDER SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For The fiscal year ended
January 31, 1992

Commission File Number
0-11825

MARTEL MICRO SYSTEMS, INC.
(Exact Name of Registrant as Specified in its Charter)

NEW YORK
(State or Other Jurisdiction of
Incorporation or Organization)

11-2515573
(I.R.S. Employer
Identification No.)

30 Oser Avenue, Hauppauge, NY
(Address of Principal Executive Offices)

11788
(Zip Code)

Registrant's Telephone Number,
Including Area Code

(516) 371-6200

(Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days).

Yes XX

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of
issuer's classes of common stock, as of the latest

Q-Data Corp. - St. Petersburg, FL

Common stock, \$.00001 par value
(Title of Class)

9,481,667
(Shares outstanding at
(January 30, 1992))

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MAR 18 1992

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MARTEL MICRO SYSTEMS, INC.

(A Company in the Development Stage)

I N D E X

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Number

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

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January 31, 1992 (Unaudited) and
October 31, 1991 (Audited) 3

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through January 31, 1992 (Unaudited) 4

Statements of Redeemable Preferred Stock,
Common Stock and other Shareholder's
Equity (Unaudited) 5

Statement of Changes in Financial Position
for the Three Months ended January 31, 1992
and 1991 (Unaudited) and for the period from
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January 31, 1992 (Unaudited) 6

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(Unaudited) 7

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Operations 9

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MARTEL MICRO SYSTEMS, INC.
(A Development Stage Company)

CONDENSED BALANCE SHEETS

- ASSETS -

	January 31, <u>1992</u> (Unaudited)	October 31, <u>1991</u> (Audited)
CURRENT ASSETS:		
Cash	\$ 687	\$ 687
Merchandise Inventory	<u> </u>	<u> </u>
Total Current Assets	<u>687</u>	<u>687</u>
 TOTAL ASSETS	 <u>\$ 687</u> <u>=====</u>	 <u>\$ 687</u> <u>=====</u>

- LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) -

CURRENT LIABILITIES:		
Loans Payable (See Note 2)	\$ 21,468	\$ 21,468
Accounts Payable and Accrued Expenses (Note 2)	<u>1,975</u>	<u>1,975</u>
Total Current Liabilities	<u>23,443</u>	<u>23,443</u>
 Redeemable Preferred Stock, \$1 par; Authorized 175,000 shares; issued and outstanding 93,750 shares;	 <u>93,750</u>	 <u>93,750</u>
 COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY (DEFICIENCY): (Note 4)		
Common Stock, \$.00001 par; Authorized 10,000,000 shares; issued and out- standing 9,481,667 on January 31, 1992 and on October 31, 1991	 94	 94
Additional Paid-In Capital	1,382,160	1,382,160
Deficit Accumulated During Development Stage	<u>(1,498,760)</u>	<u>(1,498,760)</u>
	<u>(116,506)</u>	<u>(116,506)</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	 <u>\$ 687</u> <u>=====</u>	 <u>\$ 687</u> <u>=====</u>

The accompanying Notes are an integral part of this Statement.

MARTEL MICRO SYSTEMS, INC.

(A Development Stage Company)

STATEMENT OF OPERATIONS

(Unaudited)

FROM JUNE 10,
1979 (DATE
OF INCORP.) TO
JANUARY 31, 1992

THREE MONTHS ENDED
JANUARY 31,

1992

1991

REVENUES

Sales Income	29,287	\$ --	\$ --
Interest Income	<u>111,816</u>	<u>--</u>	<u>--</u>
Total Revenues	<u>141,103</u>	<u>-0-</u>	<u>-0-</u>

EXPENSES

General & Administrative	1,416,572	--	--
Research & Development	200,000	--	--
Interest Expense	<u>93,275</u>	<u>--</u>	<u>--</u>
Total Expenses	<u>1,671,847</u>	<u>-0-</u>	<u>-0-</u>

EXTRAORDINARY ITEM: (Note 2)

Settlement of Debt	<u>31,096</u>		
NET INCOME (LOSS)	(1,496,760)	\$ <u>-0-</u>	\$ <u>-0-</u>

NET INCOME (LOSS) PER COMMON SHARE		\$.000	\$.000
		*****	*****
Weighted Average Number of Common Shares Outstanding During the Period		9,481,667	9,481,667
		*****	*****

The accompanying Notes are an integral part of this Statement.

MARTEL MICRO SYSTEMS, INC.
(A Development Stage Company)

STATEMENT OF REDEEMABLE PREFERRED STOCK, COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY

JUNE 18, 1979 (DATE OF INCORPORATION) TO JANUARY 31, 1992

	Preferred stock subject to Mandatory Redemption	Common Stock Shares Amount	Additional Paid-in Capital	Deficit Accumulated during Development Stage	Total Common Stock and other Shareholder's Equity
Balance, November 1, 1980 from date of incorporation		3,535,932 835	\$ 3,932	(\$ 4,347)	(\$ 380)
Capital contribution			2,560		2,560
Net loss for year				(51,381)	(51,381)
Balance, October 31, 1981		3,535,932 35	6,492	(55,728)	(49,201)
Donation of shares by principal shareholder	(617,937)	(6)	(4)		(10)
Shares sold	635,617	6	49		55
Capital contribution			3,473		3,473
Net loss for year				(56,676)	(56,676)
Balance, October 31, 1982		3,553,612 35	10,010	(112,404)	(102,359)
Donation of shares by principle shareholder	(71,570)	(1)			(1)
Shares sold	71,570	1	100		101
Stock split	113,055	1	(1)		
Capital contribution			10		10
Issuance of redeemable preferred stock	\$125,000				
Net loss for year				(66,885)	(66,885)
Balance, October 31, 1983	125,000	3,666,667 36	10,119	(179,289)	(169,134)
Issuance of common shares		3,000,000 30	1,243,641		1,243,671
Net loss for year				(501,961)	(501,961)
Balance, October 31, 1984	125,000	6,666,667 66	1,253,760	(681,250)	572,596
Issuance of common shares		100,000 1	12,619		12,620
Payment of dividend - Preferred Stock			(11,250)		(11,250)
Redemption of Preferred Stock	(31,250)				
Net loss for year				(380,200)	(380,200)
Balance, October 31, 1985	93,750	6,766,667 67	1,255,129	(1,261,430)	(6,234)
Surrender of Common Stock		(110,000) (1)	(12,999)		(12,974)
Issuance of Common Stock		2,825,000 28	140,030		140,030
				(267,490)	(267,490)

MARTEL MICRO SYSTEMS, INC.
(A Development Stage Company)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	June 18, 1979 (date of incorporation to) January 11, 1992	Three Months Ended January 31, <u>1992</u>	<u>1991</u>
Financial resources were provided by:			
Net loss and working capital used in operations	\$(1,498,760)	\$ -	\$ -
Loans	15,525	-	-
Net proceeds from sale of common shares	1,393,504	-	-
Issuance of preferred stock	125,000	-	-
Note Receivable	-	-	-
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>35,269</u>	<u>-</u>	<u>-</u>
Financial resources were used for:			
Redemption of preferred stock	31,250	-	-
Dividend payment-preferred stock	<u>11,250</u>	<u>-</u>	<u>-</u>
	<u>42,500</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in working capital:	<u>\$(7,231)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Summary of net change in working capital:			
Increase (decrease) in current assets:			
Cash	\$ 687	\$ -	\$ -
Inventory & other assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>687</u>	<u>-</u>	<u>-</u>
Increase (decrease) in current liabilities:			
Loans payable, bank	-	-	-
Loans payable, other	(5,943)	-	-
Accounts payable and accrued expenses	<u>(1,975)</u>	<u>-</u>	<u>-</u>
	<u>(7,918)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in working capital	<u>\$(7,231)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying Notes are an integral part of this statement.

MARTEL MICRO SYSTEMS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

Basis of presentation:

The Company was incorporated in New York on June 18, 1979 and since that time has been principally engaged in development stage activities, including planning and development of power sensing and control systems for the lodging industry. All costs, including those related to the power sensing and control systems, are expensed as incurred. Currently the Company has not been able to market its product or product line and its financial position shows a negative cash flow and a working capital deficiency.

Since inception, the Company has incurred a net loss accumulated during the development stage of \$1,498,760. Consequently, the Company's continued existence is dependent upon the development and installation of a new product or upon future infusions of working capital, neither of which can be ascertained presently.

Merchandise inventory:

Merchandise inventory was priced at the lower of cost (first-in, first-out) or market. As mentioned in the above note, due to the fact of the Company's inability to market its product line, inventory has been written off to show no value at the present time.

Income taxes:

Investment tax credits will be accounted for on the flow-through method.

2. Loans payable and accounts payable:

Loans payable:

Loans payable, in the amount of \$21,468 represents direct loans to the Company by Morton Fried, an officer of the Company. To date Mr. Fried has provided the Company with a total of \$161,468 in working capital (see Note 4b).

Accounts payable:

Accounts payable totalling \$31,984 have shown no evidence of correspondence or attempts at collection by debtors over a period

MARTEL MICRO SYSTEMS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

of five years. The Company therefore wrote this amount off at the period ending October 31, 1989. The writeoff of these outstanding debts are displayed on the Statement of Operations as an Extraordinary Item.

3. Redeemable preferred stock:

On September 15, 1983, 125,000 shares of \$1 par value redeemable preferred stock was issued. This stock was issued in consideration for the conversion of notes payable of \$110,000 and accrued interest of \$15,000 due to the shareholder into preferred stock.

An annual cumulative dividend of 9% of the par value of the issued and outstanding preferred stock is payable commencing December 1, 1984. Before dividends of any kind may be declared upon the common stock or before distributions of any kind may be made upon the common stock, all dividends must be paid on the preferred stock. Annual mandatory redemption of the stock is to be made in four equal installments of \$31,250, commencing December 1, 1984. The preferred stock has no voting rights, and upon dissolution takes preference over distributions to shareholders of the common stock. The December 1, 1985, 1986 and 1987 payments were not made as of this date.

4. Shareholder's equity:

- a) In connection with a public offering of the Company's stock in December 1983, the Company sold 3,000,000 common shares, par value \$.00001, at \$.50 a share, and received net proceeds (after deducting expenses of the offering) of \$1,243,671.
- b) On June 22, 1986 the Company's Board of Directors approved the conversion of loans to the Company in the amount of \$140,000 by Morton Fried, an officer of the Company, into 2,800,000 shares of authorized, but unregistered, Common Stock of the Company. The conversion price of \$.05 per share represented the fair market value of the Company's unregistered stock at the date of conversion.

5. Income taxes:

At January 31, 1992, the Company had net operating loss carryforwards of approximately \$1,498,760 available to reduce future taxable income (if any) expiring in various years through October 31, 2000. Additionally the Company has investment tax credit carryforwards of approximately \$2,000 available to reduce future income tax liability (if any) expiring in the year 2000.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Financial Condition

The Company's present operating capital is being provided by direct loans to the Company by Mr. Fried, an officer of the Company (see Notes 2 and 4b in Notes to Financial Statements). To date Mr. Fried has provided the Company with a total of \$161,468 in working capital.

Results of Operations

The Company presently has no significant working capital. The Company is in serious financial difficulty and if a purchaser for the Company is not found or if an infusion of new capital coupled to a new direction for the Company is not found, the Company will be forced to go out of business.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

The Company has two trade disputes whose combined liabilities are limited to less than \$2,000.

Item 6: Exhibits and Reports on Form 8-K

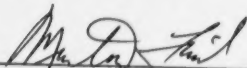
(b) There were no reports on Form 8-K filed for the three months ended January 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARTEL MICRO SYSTEMS, INC.
Registrant

Date: March 13, 1992

By 
Morton Fried
President & Principal Financial Officer



01987

Q 35571

RECD SEC

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

MAR 16 1992

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 2-88162

NATIONAL PROPANE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-1723340

(I.R.S. Employer
Identification No.)

6917 Collins AvenueMiami Beach, Florida

(Address of principal executive offices)

33141

(Zip code)

PROCESSED BY

MAR 20 1992

Microfilmed by

Registrant's telephone number, including area code () Q-Data Corp. - St. Petersburg, FL

(Former name, former address & former fiscal year, if changed since last year)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No ____.

All of the voting stock of the registrant is held by the registrant's parent, DWG Corporation. There were 1,000 shares of the registrant's common stock (\$1.00 par value) outstanding as of March 1, 1992.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES

(A Wholly-Owned Subsidiary of DMG Corporation)

Consolidated Balance Sheets

(Unaudited)

	January 31, 1992	April 30, 1991
Assets		
Current assets:		
Cash and equivalents	\$ 5,676	7,637
Receivables (less allowance for doubtful accounts of \$1,304,000 and \$808,000)	12,791	10,046
Net investment in direct finance lease receivables from affiliates	11,962	12,552
Inventories	7,793	6,956
Due from parent company	11,924	5,443
Due from affiliates (less allowance for doubtful accounts of \$452,000 and \$227,000)	1,352	2,929
Other current assets	<u>896</u>	<u>3,195</u>
Total current assets	52,394	48,758
Net investment in direct finance lease receivables from affiliates (less allowance for doubtful accounts of \$1,318,000 and \$1,730,000)	18,917	20,668
Due from parent company	80,000	80,000
Properties, at cost	118,528	115,830
Less accumulated depreciation	<u>53,168</u>	<u>50,036</u>
	<u>65,360</u>	<u>65,794</u>
Deferred financing costs	1,723	2,005
Other assets	<u>2,621</u>	<u>2,066</u>
	<u>\$221,015</u>	<u>219,291</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 17,026	22,845
Accounts payable	5,230	4,498
Accrued interest	4,155	1,858
Accrued salaries and wages	5,425	5,203
Accrued income taxes	419	785
Other current liabilities	<u>2,483</u>	<u>1,966</u>
Total current liabilities	34,738	37,155
Long-term debt (less unamortized deferred discount of \$4,865,000 and \$5,528,000)	115,898	112,192
Deferred income taxes	2,321	2,321
Deposits and other liabilities	1,008	4,919
Stockholders' equity:		
Preferred stock	1,250	1,250
Common stock, \$1 par value; 1,000 shares authorized, issued and outstanding	1	1
Capital in excess of par value	12,872	9,391
Retained earnings	53,565	52,905
Equity in net unrealized losses on marketable securities of insurance affiliate	-	(205)
	<u>67,688</u>	<u>63,342</u>
Less 47,880 preferred shares in treasury, at cost	<u>638</u>	<u>638</u>
Total stockholders' equity	<u>67,050</u>	<u>62,704</u>
	<u>\$221,015</u>	<u>219,291</u>

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DMG Corporation)
Consolidated Statements of Earnings and Retained Earnings
(Unaudited)

	Three months ended		Nine months ended	
	January 31,		January 31,	
	1992	1991	1992	1991
	(In thousands)			
Operating revenues:				
Unaffiliated	\$ 41,202	45,612	82,252	91,634
Affiliated	<u>938</u>	<u>1,062</u>	<u>2,986</u>	<u>3,316</u>
	<u>\$2,140</u>	<u>46,674</u>	<u>85,238</u>	<u>94,950</u>
Operating costs and expenses:				
Cost of sales	27,622	30,495	58,059	63,415
Depreciation and amortization	1,863	1,898	5,502	5,630
Selling, general and administrative expenses	4,653	5,014	12,143	12,138
Charges from affiliates	<u>1,899</u>	<u>1,849</u>	<u>4,976</u>	<u>5,271</u>
	<u>36,037</u>	<u>39,256</u>	<u>80,680</u>	<u>86,454</u>
Operating profit	<u>6,103</u>	<u>7,418</u>	<u>4,558</u>	<u>8,496</u>
Other expenses (income):				
Interest expense	4,515	4,536	13,658	13,682
Interest income from parent company	(4,184)	(3,779)	(12,128)	(11,674)
Interest income	(92)	(131)	(327)	(338)
Other, net	<u>(90)</u>	<u>(120)</u>	<u>(328)</u>	<u>(459)</u>
	<u>149</u>	<u>506</u>	<u>875</u>	<u>1,211</u>
Earnings before income taxes and equity in net earnings (loss) of affiliate	5,954	6,912	3,683	7,285
Provision for income taxes	<u>2,337</u>	<u>2,714</u>	<u>1,446</u>	<u>2,860</u>
	<u>3,617</u>	<u>4,198</u>	<u>2,237</u>	<u>4,425</u>
Equity in net earnings (loss) of affiliate	<u>1</u>	<u>(537)</u>	<u>277</u>	<u>251</u>
Net earnings	3,618	3,661	2,514	4,676
Retained earnings at beginning of period	50,565	50,583	52,905	50,804
Dividends paid:				
Common stock	(615)	(615)	(1,845)	(1,845)
Preferred stock	<u>(3)</u>	<u>(3)</u>	<u>(9)</u>	<u>(9)</u>
Retained earnings at end of period	<u>\$ 53,565</u>	<u>53,626</u>	<u>53,565</u>	<u>53,626</u>

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended January 31,	
	1992	1991
	(In thousands)	
Cash flows from operating activities:		
Net earnings	\$ 2,514	4,676
Adjustments to reconcile net earnings to net cash and equivalents provided by operating activities:		
Depreciation and amortization	5,502	5,630
Amortization of deferred debt discount and financing costs	945	814
Increase in receivables	(2,745)	(6,172)
Decrease (increase) in inventories	(837)	112
Decrease in other current assets	2,299	557
Increase in other assets	(406)	(266)
Increase (decrease) in accounts payable	732	(597)
Increase in current liabilities other than accounts payable and current portion of long-term debt	2,670	4,278
Gain on sales of properties	(174)	(293)
Equity in net earnings of affiliate	(277)	(251)
Other, net	(106)	(80)
Net cash and equivalents provided by operating activities	<u>10,117</u>	<u>8,408</u>
Cash flows from investing activities:		
Capital expenditures	(3,953)	(3,781)
Proceeds from sales of properties	174	293
Decrease in net investment in direct finance lease receivables from affiliates	2,341	391
Decrease in due from affiliates	1,577	1,652
Increase in due from parent company	<u>(8,326)</u>	<u>(27)</u>
Net cash and equivalents used in investing activities	<u>(8,187)</u>	<u>(1,472)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	9,387	10,249
Repayments of long-term debt	<u>(13,278)</u>	<u>(13,870)</u>
Net cash and equivalents used in financing activities	<u>(3,891)</u>	<u>(3,621)</u>
Net increase (decrease) in cash and equivalents	(1,961)	3,315
Cash and equivalents at beginning of period	<u>7,637</u>	<u>4,754</u>
Cash and equivalents at end of period	<u>\$ 5,676</u>	<u>8,069</u>

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	Nine months ended	
	January 31,	
	<u>1992</u>	<u>1991</u>
	(In thousands)	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>10,416</u>	<u>10,572</u>
Income taxes	\$ <u>792</u>	<u>173</u>
Supplemental schedule of noncash investing and financing activities:		
Capital expenditures:		
Total capital expenditures	\$ 5,068	4,764
Amounts representing capitalized leases	<u>(1,115)</u>	<u>(983)</u>
Capital expenditures paid in cash	\$ <u>3,953</u>	<u>3,781</u>
Due from parent company:		
Net change in due from parent company	\$ (6,481)	1,818
Dividends paid	<u>(1,845)</u>	<u>(1,845)</u>
Increase in due from parent company	\$ <u>(8,326)</u>	<u>(27)</u>

During the nine months ended January 31, 1992 and 1991, the Company received interest payments from DWG Corporation ("DWG") of approximately \$750,000 and \$6,486,000 in cash, and in the form of offsets against amounts advanced to DWG and interest thereon, approximately \$1,202,000 and \$2,274,000 in income taxes due under a tax-sharing agreement, \$1,845,000 for both year in dividends payable to DWG and approximately \$691,000 and \$5,753,000 in the form of offsets of amounts due to DWG for management services.

On December 23, 1991, the Company acquired from a subsidiary of American Financial Corporation \$5 million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures in exchange for a promissory note (see Note 6). Due to its noncash nature, this exchange of debt has not been reflected in the consolidated statement of cash flows for the nine months ended January 31, 1992.

The reduction in the Company's ownership of CFC Holdings resulted in the Company reclassifying, as of July 31, 1991, to "Capital in excess of par value" the cumulative equity in net losses of CFC Holdings amounting to approximately \$3.5 million which was previously recorded in "Deposits and other liabilities" (see Note 4). Due to its noncash nature, the reduction in ownership in CFC Holdings is not reflected in the consolidated statement of cash flows.

See accompanying notes to consolidated financial statements.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Notes to Consolidated Financial Statements
January 31, 1992
(Unaudited)

1. Basis of Presentation

The condensed financial information included herein has been prepared by the Company without audit, for filing with the Securities and Exchange Commission. Certain information and notes have been condensed or omitted pursuant to the rules and regulations of said Commission. The financial information presented herein, while not necessarily indicative of results to be expected for the year, reflects all adjustments, consisting of normal recurring adjustments, which in the opinion of the Company are necessary for a fair statement of the results for the periods indicated. This financial information should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 1991.

2. Cash and Equivalents

The Company classifies as cash and equivalents all highly liquid investments with a maturity of three months or less when purchased.

3. Inventories

Inventories, consisting principally of finished goods, are stated at the lower of cost (first-in, first-out basis) or market, and include freight and carrying costs.

4. Investments, at Equity

As of April 30, 1991, the Company owned 12% of the outstanding common voting securities of Royal Crown Corporation, which until the restructuring of its indebtedness in July 1991 was known as Chesapeake Financial Corporation ("Royal Crown") and is accounted for on the equity method. In addition, DWG owned 100% of the outstanding convertible preferred securities of Royal Crown. In July 1991, in connection with the restructuring of substantially all of the outstanding indebtedness of Royal Crown, the outstanding shares of common stock of Royal Crown, including the shares of common stock issued upon the conversion of such convertible preferred stock by DWG, were exchanged on a one for one basis for common stock of a newly-formed holding company, CFC Holdings Corp. ("CFC Holdings") resulting in ownership by DWG of approximately 88.7% of the voting securities of CFC Holdings and a reduction in the ownership of the Company to approximately 1.4% of the outstanding common stock of CFC Holdings. Also in connection with the restructuring, Royal Crown became a wholly-owned subsidiary of CFC Holdings and the shares of Chesapeake Insurance Company Limited ("Chesapeake Insurance"), a wholly-owned subsidiary of Chesapeake Financial Corporation domiciled in Bermuda, were transferred to CFC Holdings as a dividend and CFC Holdings assumed approximately \$28 million of obligations of Royal Crown under a note held by Chesapeake Insurance.

NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Notes to Consolidated Financial Statements

4. Investments, at Equity (continued)

After the restructuring, Royal Crown's principal subsidiaries continue to be Arby's, Inc. ("Arby's") and Royal Crown Cola Co. ("RC Cola"). The reduction in the Company's ownership of CFC Holdings resulted in the Company reclassifying, as of July 31, 1991, to "Capital in excess of par value" the cumulative equity in net losses of CFC Holdings amounting to approximately \$3.5 million which was previously recorded in "Deposits and other liabilities".

As of April 30, 1991, the Company's cumulative equity in the net losses of Royal Crown, then known as Chesapeake Financial Corporation, had exceeded its original investment by approximately \$3,813,000. This excess had been reclassified to "Deposits and other liabilities" in the accompanying consolidated balance sheet.

5. Federal Income Taxes

In February 1992, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 109, "Accounting for Income Taxes" which requires the Company to adopt new accounting and disclosure rules no later than its fiscal year ending April 30, 1994, although earlier implementation is permitted. Adoption of the new standard will result in a catch-up adjustment that may be reported in the year the standard is implemented or in an earlier year if the Company elects retroactive application.

The Company expects to adopt the new standard when required and does not plan to restate prior periods. Based on existing conditions and a preliminary review, the Company expects the new standard to have a favorable one-time effect on net income and to improve the Company's reported financial position when the new standard is adopted.

6. Long-term Debt

As previously reported in the Company's Annual Report on Form 10-K for the year ended April 30, 1991, the Company and DWG have certain secured borrowings from subsidiaries of American Financial Corporation ("AFC") under a loan agreement (the "AFC Agreement"). In July 1988, DWG issued to subsidiaries of AFC additional notes under the AFC agreement aggregating \$13 million. The loans under the AFC Agreement in the current outstanding aggregate principal amounts of \$30 million to the Company guaranteed by DWG and \$20.8 million to DWG guaranteed by the Company currently bear interest at the rate of 11-3/4% per annum, subject to further reduction to 11% per annum if Royal Crown prepays \$160 million of its indebtedness in a lump sum prepayment (other than in connection with the restructuring by Royal Crown of substantially all of its indebtedness which was completed

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)
Notes to Consolidated Financial Statements

6. Long-term Debt (continued)

in July 1991) or if all the stock or assets of Royal Crown's subsidiaries, Arby's or RC Cola, are sold, in each case on terms acceptable to the lenders party to the AFC Agreement and AFC in their reasonable judgment. The loans to the Company and its guarantee of the loans to DWG are secured by, among other things, substantially all of the assets of the Company and substantially all of its subsidiaries and all of the stock of the subsidiaries of the Company, and are guaranteed by substantially all of the subsidiaries of the Company.

The AFC Agreement, as amended, contains certain restrictive covenants including a limitation on the incurring of indebtedness or the granting of liens on the assets of the Company and certain of its subsidiaries and a limitation on certain transactions with affiliated corporations.

On December 23, 1991, the Company acquired from a subsidiary of AFC \$4 million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures, previously owned by such subsidiary of AFC, in exchange for a promissory note bearing interest at 11 3/4% per annum payable in equal monthly installments of principal and interest in the amount of \$59,207 per month and maturing on December 23, 2001. Such note is secured by mortgages on real estate of the Company having a fair market value on the date of closing of not less than \$7.5 million.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein should be read in conjunction with the Management's Discussion included in the Annual Report on Form 10-K for the year ended April 30, 1991 (the "Form 10-K") of National Propane Corporation (the "Company").

Financial Condition and Liquidity

The Company's consolidated cash and equivalents decreased to \$3.7 million at January 31, 1992 compared with \$7.6 million at April 30, 1991 principally due to the excess of repayments of long-term debt over proceeds obtained therefrom and the increase in due from parent company.

On May 1, 1986, the Company and DWG completed secured borrowings aggregating \$55 million from subsidiaries of American Financial Corporation ("AFC") under a loan agreement (the "AFC Agreement"). DWG used the proceeds of such borrowings, including an advance by the Company of the proceeds received by it from its borrowings, to repay the \$50 million of DWG's Zero Coupon Senior Subordinated Notes which matured on May 1, 1986, together with accrued interest on such notes from March 1, 1986. The advance by the Company bears interest and matures on terms which are the same as those of the borrowings under the AFC Agreement. The borrowings under the AFC Agreement initially consisted of loans in an aggregate principal amount of \$25 million to DWG guaranteed by the Company and loans in an aggregate principal amount of \$30 million to the Company guaranteed by DWG. During fiscal 1987 and 1988, DWG prepaid an aggregate of \$17.2 million of such loans under the AFC Agreement. Such loans to DWG and its guarantee of the loans to the Company under the AFC Agreement are secured by a pledge of the shares of the Company owned by DWG. The loans to the Company and its guarantee of the loans to DWG are secured by, among other things, substantially all of the assets of the Company and substantially all of its subsidiaries and all of the stock of the subsidiaries of the Company, and are guaranteed by substantially all of the subsidiaries of the Company.

In July 1988, DWG issued to subsidiaries of AFC additional notes under the AFC Agreement aggregating \$13 million. The loans under the AFC Agreement in the current outstanding aggregate principal amounts of \$30 million to the Company guaranteed by DWG and \$20.8 million to DWG guaranteed by the Company currently bear interest at the rate of 11-3/4% per annum, subject to further reduction to 11% per annum if Royal Crown Corporation, formerly known as Chesapeake Financial Corporation ("Royal Crown"), prepaes \$160 million of its indebtedness in a lump sum prepayment (other than in connection with the restructuring by Royal Crown of substantially all of its indebtedness which was completed in July 1991) or if all the stock or assets of Royal Crown's subsidiaries, Arby's, Inc. and Royal Crown Cola Co., are sold, in each case on terms acceptable to the lenders party to the AFC Agreement and AFC in their reasonable judgment.

The AFC Agreement, as amended, also contains certain restrictive covenants including a limitation on the incurring of indebtedness or the granting of liens on the assets of the Company and certain of its subsidiaries and a limitation on certain transactions with affiliated corporations.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition and Liquidity (continued)

The Company is required to retire annually, commencing March 1, 1992, through the operation of a mandatory sinking fund \$7 million principal amount of its 13-1/8% Senior Subordinated Debentures. The Indenture for such debentures provides that in lieu of making such payment in cash, the Company may credit against the mandatory sinking fund requirement, the principal amount of debentures acquired by the Company, other than through the operation of such mandatory sinking fund. On December 23, 1991, the Company acquired from a subsidiary of AFC \$5 million aggregate principal amount of the Company's 13 1/8% Senior Subordinated Debentures, previously owned by the subsidiary of AFC, in exchange for a promissory note bearing interest at 11 3/4% per annum payable in equal monthly installments of principal and interest in the amount of \$59,207 per month and maturing December 23, 2001. Such note is secured by mortgages on real estate of the Company having a fair market value on the date of closing of not less than \$7.5 million. The Company satisfied such mandatory sinking fund requirement due March 1, 1992 by the delivery of \$7 million of debentures acquired from such subsidiary of AFC and through purchases from holders thereof. The provisions of the indenture contain, among other things, certain restrictions on the payment of cash dividends and the repurchase of capital stock. At January 31, 1992, approximately \$11.6 million was permitted to be used for such purposes under such provisions. It is currently expected that any such dividend declared by the Company to DWG as holder of all the Company's outstanding common stock would be used to offset indebtedness and interest accrued thereon owed by DWG to the Company.

At January 31, 1992, the Company had outstanding advances to DWG totaling \$91.9 million. \$80 million of such advances has been classified as a non-current asset in the consolidated balance sheets included elsewhere herein. Advances averaging \$30 million bear interest at the average effective interest rate payable under the AFC Agreement and the balance bears interest at a rate equal to the effective interest rate to the Company on its 13-1/8% Senior Subordinated Debentures due March 1, 1999. During the nine months ended January 31, 1992, the Company received interest payments from DWG of \$750,000 in cash, \$1,845,000 in the form of an offset of dividends payable to DWG, approximately \$1,202,000 in income taxes due under a tax-sharing agreement and approximately \$691,000 in the form of offsets of amounts due to DWG for management services, against amounts advanced to DWG and interest thereon. The Company expects to continue receiving interest in cash and by similar offsets of future amounts due DWG.

In order to meet its future cash requirements, including debt service, the Company may reduce inventories and extend certain payables beyond normal time periods. It is presently expected that cash generated from operations may be required to be supplemented by increased cash payments of accrued interest and/or principal on the advances to DWG described above or through

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition and Liquidity (continued)

re-financing, sales of assets or restructuring of debt and/or operations by the Company. The Company presently believes, but can give no assurance, that cash flow from operations supplemented by such other sources will be sufficient to enable it to meet its cash needs in the short-term. The ability of the Company to meet its long-term cash requirements is dependent upon its ability to obtain and sustain sufficient cash flow from operations and its ability to retain sufficient financing from banks and others.

Results of Operations

Three Months Ended January 31, 1992 Compared with Three Months Ended January 31, 1991

Operating revenues for the three months ended January 31, 1992 decreased to \$42.1 million from \$46.7 million for the same period in the prior year due to a sharp decline in average selling prices caused by severe price competition and unseasonably mild weather conditions.

Operating profit decreased due to lower margins resulting from the decline in the average selling prices described above. Also reducing operating profit were increased delivery expenses.

The increase in equity in net earnings (loss) of affiliate was due to the improved results of CFC Holdings.

Nine Months Ended January 31, 1992 Compared with Nine Months Ended January 31, 1991

Operating revenues for the nine months ended January 31, 1992 decreased to \$85.2 million from \$95.0 million for the same period in the prior year due to a sharp decline in the average selling price during the second and third quarter- caused by severe price competition and a decrease in the number of gallons sold due to unseasonably mild weather conditions.

Operating profit decreased due to lower margins resulting from the decline in the average selling prices and lower volume described above. Also reducing operating profit were increased delivery expenses.

NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)

Part II. OTHER INFORMATION.

Item 6. Exhibits and Reports on Form S-K

(a) Exhibits

None.

(b) Reports on Form S-K

The registrant did not file any reports on Form S-K during the three months ended January 31, 1992.

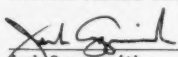
NATIONAL PROPANE CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of DWG Corporation)

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 16, 1992

NATIONAL PROPANE CORPORATION

By: 

Jack Coppersmith
Executive Vice President,
Chief Financial Officer and
Principal Accounting Officer

07091
① 35582

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



92083418

Form 10-Q

MAR 17 1992

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

92-2048

For Quarter Ended January 31, 1992 Commission File Number 0-3338

NMC CORP.

(Exact name of registrant as specified in its charter)

DELAWARE

22-1558317

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

One Penn Plaza, Suite 1705, New York, New York
(Address of principal executive offices)

10119
(Zip Code)

Registrant's telephone number, including area code (212) 279-5850

NONE

Former name, former address and former
fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class Common Stock, \$.06-2/3 par value

Outstanding at January 31, 1992
1,663,739 shares

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MAR 19 1992

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NMC CORP. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION
NMC CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

Assets	January 31, 1992 (unaudited)	July 31, 1991
Current assets:		
Cash	\$ 515,309	\$ 480,302
Receivables, net	98,515	18,876
Inventory, finished goods	143,750	401,595
Other Current Assets	35,264	15,406
Total Current Assets	<u>792,838</u>	<u>916,179</u>
Property assets, net	22,153	24,767
Other assets	4,383	4,383
	<u>\$ 819,374</u>	<u>\$ 945,329</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	\$ 155,894	\$ 120,219
Accrued Expenses & Taxes Payable	25,560	48,008
Current Portion of death benefit		82,500
Income Taxes Payable		703
Total Current Liabilities	<u>181,454</u>	<u>251,430</u>
Long Term Liabilities		
Deferred Compensation	<u>14,085</u>	<u>12,085</u>
Shareholders' equity:		
Capital stock:		
Preferred \$1 par; authorized 500,000 shares (involuntary liquidation value \$777,912) Convertible series B, at redemption value; issued and outstanding 65,141 shares.	130,282	130,282
Cumulative series C, at par value; issued and outstanding 64,763 shares	64,763	64,763
Common, \$.06-2/3 par; authorized 2,000,000 shares; issued and outstanding 1,663,739 shares	110,917	110,917
Additional paid-in capital	6,099,681	6,099,681
Deficit	<u>(5,781,808)</u>	<u>(5,723,829)</u>
Total Stockholders' Equity	<u>623,815</u>	<u>681,814</u>
	<u>\$ 819,374</u>	<u>\$ 945,329</u>

See accompanying notes to consolidated condensed financial statements.

NMC CORP. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (LOSS)
(Unaudited)

	Three Months Ended January 31		Six Months Ended January 31	
	1992	1991	1992	1991
Revenues				
Sales of merchandise	\$ 263,761	\$ 904,631	\$ 808,457	\$1,074,558
Participation in joint ventures	(195)		3,838	
	<u>263,566</u>	<u>904,631</u>	<u>812,295</u>	<u>1,074,558</u>
Costs and expenses				
Costs of sales	175,881	568,596	513,739	682,475
Selling general and administrative expenses	155,710	274,416	363,205	387,045
Interest expense				4,235
Other (income)	(3,374)	(4,283)	(6,670)	(10,611)
	<u>328,217</u>	<u>838,729</u>	<u>870,274</u>	<u>1,063,144</u>
(Loss) income before income taxes	(64,651)	65,902	(57,977)	11,414
Provision for income taxes		26,360		4,567
(Loss) net income	<u>\$ (64,651)</u>	<u>\$ 39,542</u>	<u>\$ (57,979)</u>	<u>\$ 6,847</u>

See accompanying notes to consolidated condensed financial statements.

NMC CORP. AND SUBSIDIARIES

CONSOLIDATED CONDENSED SCHEDULE OF INCOME (LOSS)
PER COMMON SHARE
(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Number of shares used in Calculating earnings per share:				
Weighted average of common shares outstanding	\$ 1,663,739	\$ 1,663,739	\$ 1,663,739	\$ 1,663,739
Assumed conversion of convertible preferred stock	<u>65,141</u> <u>1,728,880</u>	<u>65,141</u> <u>1,728,880</u>	<u>65,141</u> <u>1,728,880</u>	<u>65,141</u> <u>1,728,880</u>
Net (loss) income per common share	<u>\$ (.04)</u>	<u>\$.02</u>	<u>\$ (.03)</u>	<u>\$ -0-</u>

See accompanying notes to consolidated condensed financial statements.

NMC CORP. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(unaudited)

	Six Months Ended January 31,	
	1992	1991
Cash flow (used in) from operating activities		
Net Income (loss)	\$ (57,979)	\$ 6,847
Adjustments to reconcile net (loss) income from continuing operations to net cash provided by operating activities		
Depreciation	2,614	1,951
Decrease (increase) in assets	158,348	(237,228)
(Decrease) increase in liabilities	<u>(67,976)</u>	<u>69,991</u>
Net Cash from (used in) Operating activities	33,007	(158,439)
Cash and Cash equivalents at beginning of year	<u>480,302</u>	<u>470,564</u>
Cash and Cash equivalents ending	<u>\$ 515,309</u>	<u>\$ 312,125</u>

See accompanying notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly its financial position as at January 31, 1992 and July 31, 1991 and the results of operations and changes in financial position for the three and six months ended January 31, 1992 and 1991.
2. The Company is engaged in the business of liquidation sales of consumer goods in conjunction with the liquidation of store inventories. The Company enters into joint ventures for the purpose of liquidating these inventories. In the six months ended January 31, 1992, however, income was generated only through ordinary merchandise sales.
3. Revenue from participation in joint ventures is recognized based upon the Company's percentage interest in joint ventures after the Company has recovered its full costs. The activities of such joint ventures are of a short-term duration.
4. The results of operations for the three and six month period ended January 31, 1992 are not necessarily indicative of the results to be expected for the full year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company continues in its efforts to overcome the prevailing uncertainty in its present business activities and to locate new avenues of revenue of a more stable nature. Until such time as the Company may achieve this objective, revenues from sales of merchandise and from participation in joint ventures will continue to be of an irregular nature and the results of its operations will continue to show considerable fluctuations.

Sales of merchandise decreased by \$640,870 in the quarter ended January 31, 1992, compared to the quarter ended January 31, 1991. There were no liquidation sales or consulting fees in the quarter.

Costs of sales for the period also decreased by \$392,715, compared to the previous year. As a percentage of sales, cost of sales increased by 4% in the quarter ended January 31, 1992, compared to the quarter January 31, 1991.

Selling general and administrative expenses decreased by \$118,706 in the quarter ending January 31, 1992, mainly due to decreased commission expenses. As a percentage of sales, selling general and administrative expenses increased from 31% of sales in January 31, 1991 to 59% in January 31, 1992.

Liquidity and capital resources

During the six months ended January 31, 1992 the Company's gross assets consisted mainly of cash and inventory. The Company expects to continue to be successful in obtaining financing for its liquidation sales and bulk purchase and sale business activities through its present cash reserves or by short-term borrowings.

PART II - OTHER INFORMATION

None to be reported.

SIGNATURES

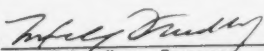
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant had duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

NMC CORP.
(Registrant)

Date: 3/16/92

By: 
Maxwell Friedberg, President
Duly Authorized Officer of the Registrant

Date: 3/16/92

By: 
Maxwell Friedberg, Treasurer
Principal Financial Officer of the
Registrant



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934.

January 31, 1992
(For Quarter Ended)

33-12629-NY
(Commission file number)

PATHE COMPUTER CONTROL SYSTEMS CORP.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

11-2661683
(I.R.S. Employer Identification No.)

17 CAMPTOWN ROAD, IRVINGTON, NJ 07111
(Address of principal executive offices)

201-372-1112
(Registrants telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ X

No ☐

6,000,000 shares, \$.01 par value, 2,442,000
outstanding as of January 13, 1992

(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)

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PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following Condensed Consolidated Balance Sheets of Pathe Computer Control Systems Corp. and Subsidiary at January 31, 1992 and October 31, 1991, the Condensed Consolidated Statements of Operations for the three months ended January 31, 1992 and 1991, and the Condensed Consolidated Statements of Changes in Financial Position for the three months ended January 31, 1992 and 1991, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and changes in financial position for the periods indicated.

Information with respect to all periods ending January 31, 1992 and 1991 is unaudited.

PATHE COMPUTER CONTROL SYSTEMS CORP. AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)

	<u>JANUARY 31, 1992</u>	<u>OCTOBER 31, 1991</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term investments	\$ 623	\$ 784
Receivables, net	143	55
Inventories	906	769
Prepaid expenses and other	<u>11</u>	<u>7</u>
TOTAL CURRENT ASSETS	1,683	1,615
Machinery and equipment, net	273	284
Patents - net	19	18
Security deposits	<u>28</u>	<u>28</u>
	<u>\$2,003</u>	<u>\$1,945</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Payables	\$ 46	\$ 39
Accrued payroll and related expenses	20	12
Customer deposits	<u>131</u>	<u>--</u>
TOTAL LIABILITIES	197	51
STOCKHOLDERS' EQUITY (Note 1):		
Common Stock, \$.01 par value - 6,000,000 shares authorized; 2,442,000 and 2,309,500 shares issued and outstanding in 1992 and 1991, respectively	24	23
Paid-in-Capital	2,943	2,911
Retained Earnings (Deficit)	<u>(1,161)</u>	<u>(1,040)</u>
TOTAL STOCKHOLDERS' EQUITY	1,806	1,894
	<u>\$2,003</u>	<u>\$1,945</u>

PATHE COMPUTER CONTROL SYSTEMS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three months ended <u>January 31,</u>	
	<u>1992</u>	<u>1991</u>
REVENUES, net	\$ <u>103</u>	\$ <u>184</u>
Cost of revenues and expenses:		
Cost of revenues	66	160
Selling, general, and administrative	129	102
Research and development	<u>35</u>	<u>43</u>
	<u>230</u>	<u>305</u>
OPERATING LOSS	<u>127</u>	<u>121</u>
Interest income, net	<u>6</u>	<u>19</u>
NET LOSS	<u>(\$ 121)</u>	<u>(\$ 102)</u>
	<u>(\$.05)</u>	<u>(\$.07)</u>
Average number of shares outstanding	<u>2,345,540</u>	<u>1,472,000</u>

PATHE COMPUTER CONTROL SYSTEMS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED SUMMARY OF CASH FLOWS
(in thousands)

	Three months ended	
	January 31,	
	<u>1992</u>	<u>1991</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(\$ 121)	(\$ 102)
Depreciation and amortization	15	3
Changes in assets and liabilities, net	<u>(84)</u>	<u>(61)</u>
	<u>(190)</u>	<u>(160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of machinery and equipment	<u>(4)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Common Stock	<u>33</u>	<u>-</u>
NET (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	<u>(\$ 161)</u>	<u>(\$ 160)</u>
Cash and short-term investments-Beginning	<u>\$ 784</u>	<u>\$ 749</u>
Cash and short-term investments-End	<u>\$ 623</u>	<u>\$ 589</u>

**NOTE TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

1. Stockholders' Equity - Issuance of Common Stock

On January 6, 1992, the Company issued, pursuant to the exercise of stock options, 132,500 common shares to an officer and director for \$33,125 in cash. The effect of the stock issuance on Stockholders' Equity was to increase Common Stock by \$1,325 and Paid-in-Capital by \$31,800.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 1992, the Company had working capital of \$1,617,000 (excluding customer deposits of \$131,000) and no long term debt. While the Company's working capital levels have remained constant from year ago levels, its cash and cash equivalent balances have decreased from year end balances. During the quarter, work-in-progress inventories increased representing three orders (\$315,000) for specialty sewing machines due to be completed and delivered in the second quarter. The increase in inventories has been essentially financed through customer deposits. The increase in receivables arises from test sewing of composite materials (for the aerospace industry) pending definitization of a contract against which the Company can resume billing for services rendered. Also during the quarter, the Company undertook a project to develop a special retrofit package to convert a mechanical spring/coiler machine to a computer controlled machine.

The Company is continually mindful of its modest financial resources and the level of future expenditures will be measured in order to continue to maintain its strong ratio of liquid assets to total liabilities - approximately 11:1 (excluding customer deposits). The Company believes it has a sufficient working capital base to meet its foreseeable needs for fiscal 1992.

RESULTS OF OPERATIONS

The Company generates revenues from the sale of new, customized, computer controlled sewing equipment, sale of spare parts and sewing accessories, and specialty sewing of composite materials.

Revenues decreased \$81,000 to \$103,000 for the quarter. The year ago quarter included the sale and delivery of two multi-needle machines (\$140,000) with the balance in sales of spare parts. The current quarter reflects \$35,000 in specialty sewing contracts, which is lower than forecasted due to delays in contract definitization, equipment "check-out" procedures, and receipt of graphite materials to be supplied by the contractor; and the balance in the sales of spare parts and service.

Cost of sales, as a percentage of sales, decreased to 64% from 87% a year ago, attributable to the mix in product sales with a multi-needle machine carrying a lower gross profit margin than spare parts and service.

Selling, general and administrative expenses increased \$27,000 to \$129,000, principally do to increased consulting expenses. The Company has utilized consultants to take on special project assignments.

Research and development expenditures have decreased \$8,000 to \$35,000. The expenditures in fiscal 1992 are entirely attributable to the computerized retrofit package for a mechanical spring/coiler machine which is expected to be completed in the second quarter. This project, in great part, was stimulated by our proposed acquisition of Mid West Spring Manufacturing Company, and utilizing our design, manufacturing and software capabilities to improve manufacturing efficiencies. (For additional information on Mid West Spring

Manufacturing Company refer to the Company's Annual Report on Form 10-K for fiscal year 1991.)

Interest income decreased \$13,000 to \$6,000 reflecting lower average cash balances and lower short term interest rates from year ago levels.

SUBSEQUENT EVENTS

In February 1992, McDonnell Douglas completed its final equipment "check out" procedures and the Company commenced the stitching construction of both wing and fuselage subcomponents currently under contract with McDonnell Douglas/NASA. In late February, approximately 1-1/2 years since inception of the original contract with McDonnell Douglas, the Company successfully completed the stitch bonding and "assembly" sewing of the first wing subcomponent. This was an important milestone in this research and development contract with McDonnell Douglas. In addition to the approximately \$100,000 currently under contract for stitch-bonding and "assembly" sewing work, the Company anticipates follow-on stitching contracts in respect to these efforts for McDonnell Douglas and the aerospace industry. In this connection, the Company has had several exploratory discussions with other companies serving the aerospace industry as well as the automotive and military complex. In some instances, these discussions also include experimentation with stitch bonding of prepreg materials which poses a whole new arena of stitching technology.

PART II - OTHER INFORMATION

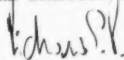
ITEM 6. EXHIBITS AND REPORTS

- (a) Exhibits: None
- (b) Reports on Form 8-K: None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PATHE COMPUTER CONTROL SYSTEMS CORP.

By 
Richard G. Reece, President and
Principal Financial Officer

March 10, 1992

0 7908
Q 35581



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended January 31, 1992

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8536

PLAZA COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

California

95-3053189

(State or other jurisdiction of incorporation or organization) **PROCESSED BY** (I.R.S. Employer Identification number)

18818 Teller Avenue
Irvine, California

MAR 20 1992

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(Address of Principal Executive Offices)

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92715
ip Code)

Registrant's telephone number, including area code (714) 851-2220

L30

Former name, former address and former fiscal year,
if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: February 29, 1992; 3,488,025.

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PLAZA COMMUNICATIONS, INC.

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PLAZA COMMUNICATIONS, INC.
CONDENSED BALANCE SHEETS

	January 31 1992	July 31 1991
Assets	(unaudited)	
Current assets:		
Cash	\$216,114	\$58,381
Trade accounts receivable, net	180,624	354,742
Subscriptions receivable, net	0	6,098
Prepaid publication costs	8,130	17,121
Prepaid expenses and other assets	27,542	45,533
Income tax receivable	1,147	4,147
Officer loan	95,000	0
Total current assets	528,557	486,022
Equipment, at cost	413,289	392,308
Less accumulated depreciation	(290,264)	(267,264)
Net equipment	123,025	125,044
Total assets	\$651,582	\$611,066
	*****	*****
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of note payable	\$6,313	\$6,313
Accounts payable	80,935	158,289
Customer deposits	127,013	87,594
Accrued liabilities	54,500	73,733
Deferred advertising revenue	22,512	22,512
Total current liabilities	261,273	348,441
Note payable	14,804	18,482
Unearned subscription revenue	0	184,991
Total liabilities	276,077	551,914
Stockholders' equity:		
Common stock, no par value; authorized 10,000,000 shares, issued 3,488,025 shares	2,523,590	2,523,590
Accumulated deficit	(2,148,085)	(2,464,438)
Total stockholders' equity	375,505	59,152
Total liabilities and stockholders' equity	\$651,582	\$611,066
	*****	*****

PLAZA COMMUNICATIONS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	1992	1991	1992	1991
Revenue	\$928,771	\$1,087,084	\$2,012,235	\$2,141,645
Costs and expenses:				
Cost of sales	445,555	745,221	997,454	1,360,944
Selling, general and administrative expenses	442,549	498,616	877,902	1,037,466
Operating income (loss)	40,667	(156,753)	136,879	(256,765)
Other income (expense)	2,790	(587)	4,704	982
Gain on sale of Personal Investor	201,770		201,770	
Earnings (loss) before income taxes	245,227	(157,340)	343,353	(255,783)
Income tax expense	19,600	100	27,000	300
Net earnings (loss)	\$225,627	(\$157,440)	\$316,353	(\$256,083)
Weighted average shares outstanding	3,488,025	3,488,025	3,488,025	3,488,025
Earnings (loss) per share	\$0.06	(\$0.05)	\$0.09	(\$0.07)

STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended	
	January 31 1992	January 31 1991
Cash flows from operating activities:		
Net earnings (loss)	\$316,353	(\$256,083)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:		
Gain on sale of Personal Investor	(201,770)	0
Depreciation and amortization	23,000	21,568
Provisions for losses on accounts receivable	27,632	38,306
Changes in assets and liabilities:		
Decrease in accounts receivable	126,224	17,402
(Increase)/decrease in prepaids	12,212	(29,157)
Decrease in income tax receivable	3,000	(4,555)
Increase in officer loan	(95,000)	0
Increase/(decrease) in accounts payable	(107,354)	80,879
Increase in customer deposits	39,419	33,957
Increase/(decrease) in accrued liabilities	(19,233)	3,360
Increase/(decrease) in unearned subscription revenue	(17,091)	47,499
Increase in deferred advertising revenue	0	22,512
Net cash provided by (used for) operating activities	107,392	(24,312)
Cash flows from investing activities:		
Capital expenditures	(20,981)	(28,221)
Proceeds from sale of Personal Investor	75,000	0
Net cash provided by (used for) investing activities	54,019	(28,221)
Cash flows from financing activities-		
Principal payments on note payable	(3,678)	(2,748)
Increase/(decrease) in cash	157,733	(55,281)
Cash at beginning of period	58,381	123,667
Cash at end of period	\$216,114	\$68,386
	*****	*****

NOTES

Basis of presentation

The accompanying unaudited financial statements have been prepared in accordance with the requirements of Form 10-Q and, therefore, do not include all information and footnotes which would be presented were such financial statements prepared in accordance with generally accepted accounting principles. These statements should be read in conjunction with the audited financial statements presented in the Company's 1991 Annual Report to Stockholders. In the opinion of management, the accompanying financial statements reflect all adjustments which are necessary for a fair presentation of the results for the interim periods presented. Such adjustments consisted only of normal recurring items. The results of operations for such interim periods are not necessarily indicative of results to be expected for the full year.

Officer Loan

The Company has extended a loan to an officer of the Company for \$95,000. The loan is due upon demand and includes interest at the rate of seven percent per year.

Income Tax Expense

The Company has recognized income tax expense for the six months ending January 31, 1992. Taxes are for the following: California Franchise Tax Board - \$20,000; Federal Alternative Minimum Tax - \$7,000. The Company uses net operating loss carryforwards to offset earnings in Illinois, New York and for additional Federal income taxes.

Gain on Sale

In November 1991 the Company discontinued publication of Personal Investor and sold the subscriber base. In conjunction with the sale the following assets and liabilities related to Personal Investor were sold:

Accounts receivable	\$(26,360)
Prepaid publication costs	(14,770)
Unearned Subscription Revenue	<u>167,900</u>
	126,770
Cash received	<u>75,000</u>
Gain on sale	\$ 201,770

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL CONDITION

In November 1991 the Company completed the sale of the subscriber base for Personal Investor. The last issue of Personal Investor published by the Company was the October/November 1991 issue. The Company reported a gain on the sale of \$201,770. The Company received \$75,000 in exchange for the assumption by the buyer of liability for \$167,900 of unearned subscription revenue. The gain was offset by write-offs of \$26,360 of subscriptions receivable and \$14,770 of prepaid publication costs.

The ratio of current assets to current liabilities, which measures the Company's ability to meet its short-term obligations, was 2.02 at January 31, 1992, as compared to 1.39 at July 31, 1991. The largest factor in the Company's improved current ratio was a 68 percent decrease in accounts payable, from July 31, 1991 to January 31, 1992, due primarily to the discontinuance of Personal Investor. Although cash increased significantly during the same period the increase was more than offset by a decrease in trade accounts receivable.

Cash increased \$157,733, from \$58,381 at July 31, 1991 to \$216,114 at January 31, 1992. The increase is due to the receipt of cash for the subscriber base from the sale of Personal Investor, as well as an increase in customer deposits of approximately \$39,000 (as explained later). In addition, reduced costs due to the discontinuance of Personal Investor had a positive effect on cash.

Net trade accounts receivable decreased 49 percent, or \$174,118, from July 31, 1991, to January 31, 1992. The decrease in trade receivables was due mainly to the discontinuance of Personal Investor.

There are no subscriptions receivable at January 31, 1992 as compared to \$6,098 at July 31, 1991, as those receivables were related to Personal Investor and were written off as part of the sale of the Personal Investor subscriber base. There are no subscriptions receivable for Registered Representative.

Prepaid publication costs decreased \$8,991, or 53 percent from July 31, 1991 to January 31, 1992. The decrease is a combination of the write-off of prepaid publication costs associated with Personal Investor and an increase in prepaid publication costs for Registered Representative.

Prepaid expenses and other assets have decreased \$17,991, or 40 percent, from July 31, 1991 to January 31, 1992. Approximately \$11,000 of prepaid subscription development costs associated with

Personal Investor were expensed after July 31, 1991 against the final issue of Personal Investor. The remainder of the decrease is attributable to the normal amortization of expenses associated with the Company.

The Company extended a loan to an officer of the Company for \$95,000. The loan is due upon demand and includes interest at the rate of 7 percent per annum.

Accounts payable decreased 68 percent or \$107,354 from July 31, 1991, to January 31, 1992. This decrease is due primarily to the discontinuance of Personal Investor.

Customer deposits increased \$39,419 from \$87,594 at July 31, 1991, to \$127,013 at January 31, 1992. The increase is associated with a corresponding increase in advertising revenue for Registered Representative. Customer deposits include prepaid classified advertising of approximately \$75,000, Corporate Profile prepayments of approximately \$22,000 and the remainder prepayments for first time advertisers. The discontinuance of Personal Investor had little effect on the balance of the customer deposits account as the balances attributable to Personal Investor were minimal.

Accrued liabilities decreased 26 percent or \$19,233 from July 31, 1991 to January 31, 1992. The Company had accrued salaries of approximately \$21,000 at July 31, 1991 that were paid during the second quarter of 1992.

The Company no longer has an unearned subscription revenue liability as it was assumed by the buyer in the sale of the subscriber base for Personal Investor. There is no unearned subscription revenue associated with Registered Representative.

RESULTS OF OPERATIONS

The Company recorded operating income of \$40,667 and \$136,879, respectively, for the three and six months ended January 31, 1992 as compared to operating losses of \$156,753 and \$256,765, respectively, for the same periods last year. The Company was able to increase profitability due to a decrease in costs associated with Personal Investor and increases in advertising revenues for Registered Representative. Net earnings after taxes of \$225,627 and \$316,353, for the three and six months ended January 31, 1992 include the gain on the sale of the subscriber base for Personal Investor of \$201,770.

Total revenues have decreased \$158,313 and \$129,410, respectively, for the three and six months ended January 31, 1992, as compared to the same periods last year. Revenues from Registered Representative have increased approximately \$176,000 and \$274,000, respectively, for the three and six months ended

January 31, 1992, as compared to the same period last year, but these increases were offset by decreases in Personal Investor revenue of approximately \$334,000 and \$403,000, respectively, for the same periods.

Cost of sales decreased \$299,666 and \$363,490, respectively, for the three and six months ended January 31, 1992, as compared to the same periods last year. The majority of the decreases are attributable to the elimination of printing and circulation costs for Personal Investor. Printing for the three and six months ended January 31, 1992, decreased \$110,735 and \$116,574, respectively, from the same periods last year. In addition circulation costs decreased \$104,957 and \$158,055, respectively, for the same periods. The remainder of the decrease due to the discontinuance of Personal Investor is a combination of art department costs and postage.

Selling, general and administrative expenses decreased \$56,067 and \$159,564 for the three and six months ended January 31, 1992, respectively, as compared to the same periods last year. The discontinuance of Personal Investor has had a positive effect on selling expenses as the Company has realized savings of approximately \$70,000 in salaries, \$38,000 in promotional material and \$13,000 in travel and entertainment for the six months ended January 31, 1992. General and administrative savings, not directly affected by the sale of Personal Investor, make up the remainder of the decrease in expenses, including decreases in rent, office expense and printing and stationary for the same period.

The Company has recognized income tax expense for the first six months of fiscal 1992 of \$27,000. Of the \$27,000, \$20,000 is attributable to California franchise tax and \$7,000 to the Federal alternative minimum tax. The Company has net operating loss carryforwards to offset earnings in Illinois, New York and for the remaining Federal income taxes.

PART II

Other Information

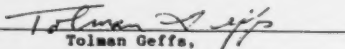
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

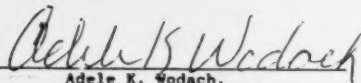
PLAZA COMMUNICATIONS, INC.

BY



Tolman Geffe,
President
Chief Executive Officer

BY



Adele K. Wodach,
Chief Financial Officer
Corporate Secretary

DATE: 13 Mar 92



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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

R
02-2248

For Quarter Ended November 30, 1991

Commission File No. 1-5790

(SILVER BUTTE MINING COMPANY)
(Exact name of registrant as specified in its charter)

State of Idaho
(State or other jurisdiction of
incorporation or organization)

82-0263301
(I.R.S. Employer
Identification No.)

P.O. BOX 711, SANDPOINT, ID 83864
(Address of principal executive office) (Zip Code)

208-263-5781
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

CLASS

OUTSTANDING AT NOVEMBER 30, 1991

Common stock, par
value, \$.05 per share

7,828,748 shares

Report contains

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SILVER BUTTE MINING COMPANY
FORM 10-Q - QUARTER ENDED NOVEMBER 30, 1991

PART I - FINANCIAL INFORMATION

As the Registrant is a mining company which is not in the production stage, it falls within the provision of Rule 13a-13(c) (3) and is exempt from filing Part I.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SILVER BUTTE MINING COMPANY

Registrant

3-5-92

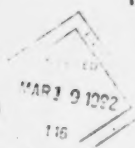
Date

By Robert J. Evans
Robert J. Evans, Secretary-Treasurer
Chief Financial and Accounting
Officer and Director

O 19160
Q 355103



10-4 12w



SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

*United Missouri Bank Defined Contribution Plan for which *

Quarterly Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934

S 92-2098

For the Quarter Ended January 31, 1992

Commission File 2-58109

United Missouri Bank Master Plan and Trust for Self-Employed Individuals; UMB-
AGPA Master Plan and Trust for Self-Employed Individuals; and Super Keogh Plans
and Trusts for Partnership Employers

UNITED MISSOURI BANK, N.A.,

(As Trustee)

Trust Department

1010 Grand Avenue

Kansas City, Missouri 64106

Tax Identification No. None

(816) 860-7700

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LS

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Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (a) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding twelve months (or for such shorter period that the registrant was
required to file such reports) and (2) has been subject to such filing
requirements for the past 90 days.

Yes X

No

UNITED MISSOURI BANK, N.A.
FUND FOR POOLING EQUITY INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF ASSETS AND LIABILITIES

	FY ENDED 10-31-91		THREE MONTHS ENDED 01-31-92	
	COST	MARKET	COST	MARKET
ASSETS:				
Common Stock	\$54,564,470	\$94,162,823	\$60,441,854	\$102,613,533
Corporate Convertible Bonds	600,000	750,000	600,000	768,000
Commercial Paper	32,479,993	32,479,993	32,638,790	32,638,790
Other Investments	<u>673,718</u>	<u>673,718</u>	<u>642,707</u>	<u>642,707</u>
	<u>\$98,318,181</u>	\$128,066,534	<u>\$94,323,351</u>	\$136,663,030
Cash		-		-
Interest and Dividends Receivable		277,602		199,995
Amount Due for Securities Sold		<u>-</u>		<u>-</u>
Total Assets		<u>\$128,344,136</u>		<u>\$136,863,025</u>
LIABILITIES:				
Audit Fees Payable		\$ 9,840		\$ 2,500
Amount Due for Securities Purchased		<u>-</u>		<u>-</u>
Total Liabilities		\$ 9,840		<u>\$ 2,500</u>
PARTICIPANTS' INTEREST:				
\$219.013124 unit on 585,966 units outstanding		\$128,334,296		
\$226.313973 unit on 604,737 units outstanding		<u>-</u>		<u>\$136,860,525</u>
Total Liabilities and Owners Equity		<u>\$128,344,136</u>		<u>\$136,863,025</u>

UNITED MISSOURI BANK OF KANSAS CITY, N.A.
FUND FOR POOLING EQUITY INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF OPERATIONS

	FY ENDED <u>10-31-91</u>	THREE MONTHS ENDED <u>01-31-92</u>
INVESTMENT INCOME:		
Interest	\$ 1,943,871	\$ 419,181
Dividends	<u>2,733,850</u>	<u>683,427</u>
Gross Investment Income	4,677,721	1,102,608
Less: Audit Expense & Foreign Taxes	<u>20,508</u>	<u>6,613</u>
Net Investment Income	<u>\$ 4,657,213</u>	<u>\$ 1,095,995</u>
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:		
Realized Gain/(Loss) on Sale of Investments:		
Proceeds from Sales	\$362,579,706	\$102,729,964
Cost of Securities Sold	<u>361,882,863</u>	<u>102,005,605</u>
Net Realized Gain/(Loss)	\$ 696,843	\$ 724,359
Unrealized Gain/(Loss) on Investments:		
Beginning of Period	\$ 19,248,263	\$ 39,748,353
End of Period	<u>39,748,353</u>	<u>42,339,679</u>
Net Unrealized Gain/(Loss)	<u>\$ 20,500,090</u>	<u>\$ 2,591,326</u>
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	<u>\$ 21,196,931</u>	<u>\$ 3,315,685</u>

UNITED MISSOURI BANK, N.A.
FUND FOR POOLING EQUITY INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF PARTICIPANTS' INTEREST

	FY ENDED 10-31-91	THREE MONTHS ENDED 01-31-92
PARTICIPANTS' INTEREST AT BEGINNING OF PERIOD	\$93,066,739	\$128,334,296
CHANGES FROM INVESTMENT ACTIVITIES:		
Net Investment Income	\$ 4,657,213	\$ 1,095,995
Net Realized Gain/(Loss) on Sales of Investments	696,843	724,359
Net Unrealized Gain/(loss) on Investments	<u>20,500,090</u>	<u>2,591,326</u>
Net Increase/(Decrease) From Investment Activity	\$25,854,146	\$ 4,411,680
CHANGES FROM PARTICIPATING UNIT TRANSACTIONS:		
Received From Issuance of: 116,034 Units	\$23,628,231	
34,774 Units		\$ 8,267,261
Payment on Redemption of: 71,028 Units	14,214,820	
16,003 Units	<u> </u>	<u>4,152,712</u>
Net Increase/(Decrease) From Participating Unit Transactions	\$ 9,413,411	\$ 4,114,549
PARTICIPANTS' INTEREST AT END OF PERIOD	<u>\$128,334,296</u>	<u>\$136,860,525</u>

UNITED MISSOURI BANK, N.A.
FUND FOR POOLING DEBT INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF ASSETS AND LIABILITIES

	FY ENDED 10-31-91		THREE MONTHS ENDED 01-31-92	
	COST	MARKET	COST	MARKET
ASSETS:				
U. S. Government Obligations & Agency Obligations	\$79,152,141	\$82,637,596	\$80,995,671	\$84,729,744
Corporate Non-Convertible Securities	24,512,316	25,657,881	29,065,793	30,336,383
Notes Receivable	61,212	59,271	61,212	59,814
Other Investments	3,064,828	3,064,828	1,352,271	1,352,271
State & Municipal Obligations	728,625	743,125	728,625	765,455
	<u>\$107,519,122</u>	<u>\$112,162,701</u>	<u>\$112,203,572</u>	<u>\$117,243,667</u>
Cash		-		-
Interest Receivable		3,306,612		3,441,201
Amount Due for Securities Sold		-		-
Total Assets		<u>\$115,469,313</u>		<u>\$120,684,868</u>
LIABILITIES:				
Audit Fees Payable		\$ 9,785		\$ 2,446
Amount Due for Securities Purchased		-		-
Total Liabilities		\$ 9,785		\$ 2,446
PARTICIPANTS' INTEREST:				
\$85.66 unit on 1,347,915 units outstanding		\$115,459,528		
\$87.97 unit on 1,371,867 units outstanding				<u>\$120,682,422</u>
Total Liabilities and Owners Equity		<u>\$115,469,313</u>		<u>\$120,684,868</u>

UNITED MISSOURI BANK, N.A.
FUND FOR POOLING DEBT INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF OPERATIONS

	FY ENDED 10-31-91	THREE MONTHS ENDED 01-31-92
INVESTMENT INCOME:		
Interest	\$ 8,451,501	\$ 2,338,011
Less: Audit Expense	10,868	(2,446)
Net Investment Income	<u>\$ 8,440,633</u>	<u>\$ 2,335,565</u>
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:		
Realized Gain/Loss on Sale of Investments:		
Proceeds from Sales	\$ 65,232,397	\$ 18,491,806
Cost of Securities Sold	<u>65,223,792</u>	<u>18,064,675</u>
Net Realized Gain/(Loss)	8,605	427,131
Unrealized Gain/(Loss) on Investments:		
Beginning of Period	(380,393)	4,643,579
End of Period	<u>4,643,579</u>	<u>5,040,095</u>
Net Unrealized Gain/(Loss)	<u>5,023,972</u>	<u>396,516</u>
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	<u>\$ 13,664,605</u>	<u>\$ 823,647</u>

UNITED MISSOURI BANK, N.A.
FUND FOR POOLING DEBT INVESTMENTS OF EMPLOYEES TRUSTS
STATEMENT OF PARTICIPANTS' INTEREST

	FY ENDED <u>10-31-91</u>	THREE MONTHS ENDED <u>01-31-92</u>
PARTICIPANTS' INTEREST AT BEGINNING OF PERIOD	\$76,229,699	\$115,459,528
CHANGES FROM INVESTMENT ACTIVITIES:		
Net Investment Income	\$ 8,440,633	\$ 2,335,565
Net Realized Gain/(Loss) on Sales of Investments	8,605	427,131
Net Unrealized Gain/(loss) on Investments	<u>5,023,972</u>	<u>396,516</u>
Net Increase/(Decrease) From Investment Activity	\$13,473,210	\$ 3,159,212
CHANGES FROM PARTICIPATING UNIT TRANSACTIONS:		
Received From Issuance of: 468,041 Units	\$37,206,025	
65,728 Units		\$ 5,729,795
Payment on Redemption of: 143,099 Units	11,449,406	
41,776 Units		<u>3,666,112</u>
Net Increase/(Decrease) From Participating Unit Transactions	<u>\$ 25,756,619</u>	<u>\$ 2,063,683</u>
PARTICIPANTS' INTEREST AT END OF PERIOD	<u>~~\$115,459,528~~</u>	<u>~~\$120,682,423~~</u>

UNITED MISSOURI BANK OF KANSAS CITY, N.A.
 POOLED INCOME FUND FOR EMPLOYEES TRUSTS
 STATEMENT OF ASSETS AND LIABILITIES

	FY ENDED 10-31-91		THREE MONTHS ENDED 01-31-92	
	COST	MARKET	COST	MARKET
ASSETS:				
U. S. Government Obligations & Agency Obligations	\$16,471,265	\$16,471,265	\$19,422,175	\$19,422,175
Commercial Paper	69,564,153	69,564,153	\$62,383,604	\$62,383,604
Other Investments	8,956,335	8,956,335	3,938,317	3,938,340
	<u>\$24,991,753</u>	<u>\$94,991,753</u>	<u>\$85,744,119</u>	<u>\$85,744,119</u>
Cash		-		-
Interest Receivable		368,558		317,504
Receivable for Securities Sold		-		-
Total Assets		<u>\$95,360,311</u>		<u>\$86,061,623</u>
LIABILITIES:				
Audit Fees Payable		\$ 3,375		\$ 844
Payable for Securities Purchased		-		-
Total Liabilities		\$ 3,375		\$ 844
PARTICIPANTS' INTEREST:				
\$39.847791 unit on 2,391,427 units outstanding		\$95,356,936		
\$40.373926 unit on 2,131,593 units outstanding				<u>\$86,060,779</u>
Total Liabilities and Owners Equity		<u>\$95,360,311</u>		<u>\$86,061,623</u>

UNITED MISSOURI BANK, N.A.
 POOLED INCOME FUND FOR EMPLOYEES TRUSTS
 STATEMENT OF OPERATIONS

	FY ENDED 10-31-91	THREE MONTHS ENDED 01-31-92
INVESTMENT INCOME:		
Interest	\$ 6,087,342	\$ 1,125,163
Less: Audit Expense	<u>3,735</u>	<u>844</u>
Net Investment Income	<u>\$ 6,083,607</u>	<u>\$ 1,124,319</u>
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:		
Realized Gain/(Loss) on Investments:		
Proceeds from Sales	\$729,787,183	\$163,930,790
Cost of Securities Sold	<u>729,787,183</u>	<u>\$163,930,790</u>
Net Realized Gain/(Loss)	-0-	-0-
Unrealized Gain/(Loss) on Investments:		
Beginning of Period	-0-	-0-
End of Period	<u>-0-</u>	<u>-0-</u>
Net Unrealized Gain/(Loss)	<u>-0-</u>	<u>-0-</u>
NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS	<u>\$ -0-</u>	<u>\$ -0-</u>

UNITED MISSOURI BANK, N.A.
 POOLED INCOME FUND FOR EMPLOYEES TRUSTS
 STATEMENT OF PARTICIPANTS' INTEREST

	FY ENDED 10-31-91	THREE MONTHS ENDED 01-31-92
PARTICIPANTS' INTEREST AT BEGINNING OF PERIOD	\$ 84,314,828	\$ 95,356,936
CHANGES FROM INVESTMENT ACTIVITIES:		
Net Investment Income	\$ 6,083,607	\$ 1,124,319
Net Realized Gain/(Loss) on Sales of Investments	-0-	-0-
Net Unrealized Gain/(loss) on Investments	-0-	-0-
Net Increase/(Decrease) From Investment Activity	\$ 6,083,607	\$ 1,124,319
CHANGES FROM PARTICIPATING UNIT TRANSACTIONS:		
Received From Issuance of: 1,042,500 Units 381,096 Units	\$ 40,070,650	\$ 5,144,496
Payment on Redemption of: 906,912 Units 712,030 Units	35,112,149	15,564,972
Net Increase/(Decrease) From Participating Unit Transactions	\$ 4,958,501	\$(10,420,476)
PARTICIPANTS' INTEREST AT END OF PERIOD	<u>\$ 95,356,936</u>	<u>\$ 86,060,779</u>

Part I-B Footnotes to Financial Statements

No material changes from last fiscal yearend.

Part I-C Trustees Comments on Financial Statements

Pooled Equity Fund For the quarter, the fund had a total return of 3.33% versus 4.95% and 5.83% for the Standard & Poors 500 Index and the Dow Jones Industrial Index respectively. During the 12 months ended January 31, 1992, the return on the fund was 16.73% versus 22.65% for the Standard & Poors 500 Index and 2.58% for the Dow Jones Industrial Index. The estimated cash yield on the fund as of the end of the quarter was 3.28%.

Pooled Debt Fund The portfolio has a weighted average life of about 6.7 years. About 72% of the portfolio is invested in Government & Agency Issues and about 58% of the portfolio will mature within five years. The total funds' return was 2.70% for the quarter and 13.20% for the 12 months ended January 31, 1992. Comparable returns for the Lehman Government/Corporate Intermediate Index were 2.68% and 12.44%. At quarter end, the current yield was estimated at 8.49% while the weighted yield to maturity was 7.02%.

Pooled Income Fund The fund continues to be invested in short term Government & Agency Obligations, high quality Commercial Paper and liquid Guaranteed Insurance Contracts. The return on the fund for the past quarter was 1.25%. A return of 5.94% was earned for the 12 months ended January 31, 1992. The fund had an average maturity of 35 days and a weighted yield to maturity of 4.27% at the close of the quarter.

Part I-D Other Financial Information

Form 8-K was not required to be filed during the three months ended January 31, 1992, because there were no material, unusual charges or credits to operations and there was no change in independent accountants.

Part I-E Sale of Unregistered Securities

Not Applicable.

Part II Other Information

Not Applicable.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED MISSOURI BANK, NATIONAL ASSOCIATION
as Trustee

By Stephen A. Campbell
Senior Vice President

By Frank Lee
Executive Vice President and
Trust Accounting Officer

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Corporation
St. Petersburg, FL

U.S. WINDPOWER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

for the thirteen and twenty-six weeks ended
July 4, 1992 and June 29, 1991

(unaudited)

U.S. WINDPOWER, INC.

Consolidated Financial Statements
for the thirteen and twenty-six weeks ended July 4, 1992 and June 29, 1991

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U.S. WINDPOWER, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS for the thirteen and twenty-six weeks ended July 4, 1992 and June 29, 1991 (unaudited, in thousands)

	<u>thirteen weeks ended</u>		<u>twenty-six weeks ended</u>	
	<u>July 4,</u>	<u>June 29,</u>	<u>July 4,</u>	<u>June 29,</u>
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Revenues:				
Windplant sales	\$ 347	\$ 31,464	\$ 862	\$ 31,468
Energy sales	6,045	4,664	6,866	5,960
Maintenance, management fees and other	7,797	5,464	13,434	9,723
Interest income	<u>3,800</u>	<u>4,532</u>	<u>6,068</u>	<u>8,284</u>
Total revenues	17,989	46,124	27,230	55,435
Costs and expenses:				
Windplant sales	191	23,177	677	23,177
Operations	9,995	5,905	20,704	11,864
Engineering	2,117	1,968	3,956	3,545
Marketing	948	1,086	1,988	1,708
General and administrative	1,399	1,741	2,760	3,293
Interest expense	<u>4,315</u>	<u>3,492</u>	<u>7,917</u>	<u>7,164</u>
	18,965	37,369	38,002	50,751
Income (Loss) before income taxes (benefit)	(976)	8,755	(10,772)	4,684
Income tax provision (benefit)	<u>(434)</u>	<u>2,502</u>	<u>(4,795)</u>	<u>1,144</u>
Net income (loss)	<u>\$ (542)</u>	<u>\$ 6,253</u>	<u>\$ (5,977)</u>	<u>\$ 3,540</u>

The accompanying notes are an integral part of these consolidated financial statements.

U.S. WINDPOWER, INC.

CONSOLIDATED BALANCE SHEETS

July 4, 1992 and December 31, 1991

(in thousands, except share amounts)

ASSETS

	July 4, 1992 (unaudited)	December 31, 1991
Cash and cash equivalents	\$ 7,782	\$ 2,800
Funds in escrow, net	5,260	9,421
Accounts receivable	15,716	14,167
Partnership notes and interest receivable, net	45,717	37,427
Due from affiliates	14,705	28,206
Inventories	8,152	8,440
Property, plant and equipment, net	68,272	60,605
Investments in affiliates	1,158	1,373
Prepaid income taxes	7,202	2,407
Other assets	<u>5,844</u>	<u>4,932</u>
Total assets	<u>\$ 179,808</u>	<u>\$ 169,778</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable	\$ 2,728	\$ 4,871
Accrued liabilities	9,092	5,888
Estimated warranty costs	2,932	7,217
Bank loan payable	13,785	11,700
Senior notes payable	68,515	68,471
Other notes payable	<u>48,980</u>	<u>31,878</u>
Total liabilities	146,032	130,025
Stockholder's equity:		
Common stock, \$1 par value; 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	18,545	18,545
Retained earnings	<u>15,230</u>	<u>21,207</u>
Total stockholder's equity	<u>33,776</u>	<u>39,753</u>
Total liabilities and stockholder's equity	<u>\$ 179,808</u>	<u>\$ 169,778</u>

The accompanying notes are an integral part of these consolidated financial statements.

U.S. WINDPOWER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS for the twenty six weeks ended July 4, 1992 and June 29, 1991 (unaudited, in thousands)

	July 4, 1992	June 29, 1991
Cash flows from operating activities:		
Net income (loss)	\$ (5,977)	\$ 3,540
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,726	2,589
Equity share in investment in affiliates	29	70
Changes in assets and liabilities:		
Funds in escrow	4,161	4,490
Accounts receivable	(1,549)	(5,569)
Partnership notes and interest receivable	(8,290)	(6,227)
Inventories	288	9,991
Prepaid income taxes	(4,795)	(2,045)
Other assets	(1,266)	1,212
Accounts payable and accrued liabilities	1,061	(1,357)
Estimated warranty costs	(4,285)	304
Net cash provided by (used in) operating activities	(17,397)	6,998
Cash flows from investing activities:		
Additions to property, plant and equipment	(9,996)	(1,015)
Advances from affiliates	13,357	5,484
Investment in affiliates	331	567
Net cash provided by investing activities	3,692	5,036
Cash flows from financing activities:		
Bank loan borrowings	2,085	11,388
Payments on bank loan borrowings	-	(11,388)
Proceeds from issuance of notes payable	20,000	-
Payments on other notes payable	(2,898)	(8,710)
Net cash provided by (used in) financing activities	19,187	(8,710)
Increase in cash and cash equivalents	4,982	3,324
Cash and cash equivalents at beginning of period	2,800	2,658
Cash and cash equivalents at end of period	<u>\$ 7,782</u>	<u>\$ 5,982</u>

The accompanying notes are an integral part of these consolidated financial statements.

U.S. WINDPOWER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The consolidated financial statements presented herein include the accounts of U.S. Windpower, Inc. and its wholly owned subsidiaries (the Company) after elimination of the intercompany accounts and transactions. These consolidated financial statements have been prepared by the Company, without audit, as noted. The Company believes that the disclosures are adequate to make the information presented not misleading. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, the consolidated financial statements reflect all adjustments which consist only of normal recurring adjustments necessary for a fair presentation of the Company's results of operations, financial position and cash flows. The consolidated financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 1991.

1. Reclassification

Certain amounts in the 1991 financial statements have been reclassified to conform to the presentation in the 1992 financial statements. These reclassifications had no impact on previously reported results of operations or stockholder's equity.

U.S. WINDPOWER, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

While the Company's principal source of revenue historically has been through the construction and sale of Windplants, in 1992, the Company's revenues are principally derived from the ownership, lease and operation of Windplants. These revenues are heavily dependent upon energy sales from Company owned or leased Windplants and from maintenance and management of Windplants owned by others. These revenues are highly seasonal and arise primarily during the spring and summer months since approximately 80% of a Windplant's annual kilowatt hour output is generated during the months of April through September.

Results of Operations

The company reported a net loss of \$542,000 for the quarterly period ended July 4, 1992 compared to a net income of \$6,253,000 for the comparable period in 1991. The year to date loss of \$5,977,000 compares to a net income of \$3,540,000 in 1991.

Operations expense for the quarter increased to \$9,995,000 from \$5,905,000 for the comparable period in 1991. Year-to-date operations expense of \$20,704,000 showed a significant increase over last years expense of \$11,864,000 for the comparable period. Both of these increases are the result of a preventive maintenance program instituted by the Company in late 1991. A thorough preventive maintenance program was performed during the 1991/1992 off-season. Improved techniques such as blade tip calibrations and ultrasonic inspections targeted a number of sites for a complete machine refurbishment. During refurbishment, diagnostic and functional tests were performed on all machines. The use of hardened materials, enhanced weld processes, and shotpeening were employed in an effort to increase fatigue life and wear resistance. These improvements were implemented to extend the life of major components and to increase the overall reliability of the 56-100 wind turbines. Approximately 800 Model 56-100 wind turbines were serviced through July 4, 1992. A similar program will be conducted in the 1992/1993 off-season.

Liquidity and Capital Resources

At July 4, 1992, the Company had \$7,782,000 of cash and investments. Operations used cash of \$17,897,000 for the first six months ending July 4, 1992, as compared to \$6,998,000 provided for the same period in 1991.

Additions to property, plant and equipment were \$9,996,000 for the twenty-six weeks ended July 4, 1992, which was primarily due to the building of Model 33M-VS wind turbines. As of July 4, 1992 there were 22 Model 33M-VS wind turbines installed and operating in the Altamont Pass.

U.S. WINDPOWER, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

USW has a revolving credit agreement which provides up to \$20.0 million for working capital purposes. At July 4, 1992, \$13,785,000 was outstanding under this facility representing the full amount available pursuant to the borrowing base limitations for this agreement. USW has received an extension of this current credit agreement until August 31, 1992. This was originally due to expire June 30, 1992. Management believes the Company will be able to replace this line of credit at similar terms. However, no assurance can be given that it will be able to do so at terms acceptable to the Company.

In June 1992, USW received approximately \$16 million in cash that was previously advanced to the Company's parent.

The Company believes that existing cash, operating cash flows, credit to the extent available and the financing discussed above will be sufficient to meet the Company's needs through the end of 1992.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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- [X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Period Ended March 31, 1992
- [] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number 0-11179

u
02-2218VALLEY NATIONAL BANCORP

(Exact name of registrant as specified in its charter)

New Jersey(State or other Jurisdiction of
incorporation or organization)22-2477875

(I.R.S. Employer Identification No.)

1445 Valley Road, Wayne, New Jersey 07474-0558

(Address of principal executive offices) (Zip Code)

(201) 305-8800

(Registrant's Telephone Number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock (No par value), of which 18,968,722 shares were outstanding as of May 11, 1992.

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VALLEY NATIONAL BANCORP

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VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(\$ in thousands)

ASSETS	March 31, 1992	December 31, 1991
Cash and due from banks.....	\$ 97,401	\$ 88,325
Interest bearing deposits with banks.....	2,575	2,000
Federal funds sold.....	85,000	--
Investment securities.....	1,249,642	1,216,088
Loans, net of unearned income.....	1,390,080	1,376,927
Less: Allowance for possible loan losses.....	(23,177)	(21,937)
Loans, net.....	<u>1,366,903</u>	<u>1,354,990</u>
Loans held for resale or RTC putback.....	--	76,204
Premises and equipment.....	23,866	23,592
Due from customers on acceptances outstanding.....	921	340
Accrued interest receivable.....	24,783	24,061
Due from RTC.....	20,299	29,275
Other assets.....	<u>42,515</u>	<u>49,994</u>
Total assets.....	<u>\$2,913,905</u>	<u>\$2,864,869</u>
LIABILITIES		
Deposits:		
Non-interest bearing deposits.....	\$ 290,257	\$ 291,859
Interest bearing:		
Savings deposits.....	1,173,788	1,091,303
Time deposits.....	<u>1,171,426</u>	<u>1,174,197</u>
Total deposits.....	<u>2,635,471</u>	<u>2,557,359</u>
Federal funds purchased and securities sold under repurchase agreements.....	21,106	36,027
Treasury tax and loan account.....	10,715	28,242
Bank acceptances outstanding.....	921	340
Accrued expenses and other liabilities.....	33,115	36,252
Other borrowings.....	<u>12,120</u>	<u>12,120</u>
Total liabilities.....	<u>2,713,448</u>	<u>2,670,340</u>
SHAREHOLDERS' EQUITY		
Common stock, no par value, authorized 18,200,000 shares, issued 12,725,967 shares in 1992 and 12,725,489 in 1991.....	7,091	7,084
Surplus.....	34,081	34,031
Retained earnings.....	<u>160,452</u>	<u>154,391</u>
	201,624	195,506
Cost of shares in treasury (44,024 common shares in 1992 and 37,268 common shares in 1991).....	<u>(1,167)</u>	<u>(977)</u>
Total shareholders' equity.....	<u>200,457</u>	<u>194,529</u>
Total liabilities and shareholders' equity.....	<u>\$2,913,905</u>	<u>\$2,864,869</u>

Member Federal Reserve System
Member Federal Deposit Insurance Corporation
See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(\$ in thousands, except for per share data)

	Three Months Ended March 31,	
	1992	1991
INTEREST INCOME		
Loans, including fees.....	\$ 32,384	\$ 37,096
Loans held for resale or RTC putback.....	1,546	--
Investment securities		
Taxable.....	19,330	4,993
Tax-exempt.....	2,956	2,912
Dividends.....	38	47
Federal funds sold and other short term investments.....	<u>384</u>	<u>817</u>
	<u>56,638</u>	<u>45,865</u>
INTEREST EXPENSE		
Savings deposits.....	11,515	9,021
Time deposits.....	16,548	15,443
Federal funds purchased and securities sold under repurchase agreements.....	381	372
Other borrowings.....	<u>221</u>	<u>271</u>
	<u>28,665</u>	<u>25,207</u>
NET INTEREST INCOME	27,973	20,658
Provision for possible loan losses.....	<u>3,250</u>	<u>1,700</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	<u>24,723</u>	<u>18,958</u>
NON-INTEREST INCOME		
Fees from trust services.....	145	120
Service charges on deposit accounts.....	956	790
Gains on securities transactions, net.....	2,902	1
Fees from mortgage servicing.....	984	484
Other.....	<u>1,350</u>	<u>1,071</u>
	<u>6,337</u>	<u>2,476</u>
NON-INTEREST EXPENSE		
Salaries and other compensation.....	5,823	4,210
Employee benefits expense.....	1,290	923
FDIC insurance premiums.....	1,313	839
Occupancy and equipment expense, net.....	2,219	1,654
Amortization of intangible assets.....	742	567
Other.....	<u>3,727</u>	<u>2,654</u>
	<u>15,114</u>	<u>10,847</u>
Income before income taxes	15,946	10,581
Income taxes	<u>5,620</u>	<u>3,072</u>
NET INCOME	<u>\$ 10,326</u>	<u>\$ 7,509</u>
Net income per share.....	\$ 0.81	\$ 0.59
Weighted average shares outstanding.....	12,685,123	12,681,656

See accompanying notes to consolidated financial statements.

ALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(\$ in thousands)

Three Months Ended
March 31,

1992 1991

Cash flows from operating activities:

Net income.....	\$ 10,326	\$ 7,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets.....	1,638	1,240
Amortization of compensation costs pursuant to long term stock incentive plan.....	40	(7)
Provision for possible loan losses.....	3,250	1,700
Net accretion of discounts.....	744	(161)
Net deferred income tax benefit.....	(4)	35
Net gains on securities transactions.....	(2,045)	(3)
Gain on liquidation of mortgage servicing rights.....	-	(4)
Net decrease in unearned income.....	(317)	(11)
Proceeds on sales of loans held for resale or RTC putback.....	76,204	-
Proceeds from recoveries on previously charged-off loans.....	292	272
Net (increase)decrease in accrued interest receivable and other assets.....	14,799	552
Net increase in accrued interest payable accrued expenses and other liabilities.....	(20,658)	3,663
Other.....	241	-
Net cash provided by operating activities.....	<u>84,510</u>	<u>14,792</u>

Cash flows from investing activities:

Proceeds from liquidation of mortgage servicing rights.....	-	8
Proceeds from maturing investment securities.....	286,559	34,879
Proceeds from sales of investment securities.....	124,529	-
Purchases of investment securities.....	(443,400)	(81,095)
Net (increase) decrease in federal funds sold.....	(85,000)	(10,000)
Net decrease in interest bearing deposits with banks.....	(575)	1,250
Net (increase) decrease in loans made to customers.....	(15,088)	32,386
Purchases of premises and equipment.....	(1,170)	(410)
Net (increase) decrease in due from customers on acceptances outstanding.....	(581)	285
Net cash used in investing activities.....	<u>(134,726)</u>	<u>(22,697)</u>

Cash flows from financing activities:

Net increase in deposits.....	70,112	14,370
Net increase (decrease) in federal funds purchased and other short term borrowings.....	(14,921)	581
Net increase (decrease) in bank acceptances outstanding.....	581	(284)
Dividends paid on common shares.....	(4,310)	(4,312)
Addition of common shares to treasury.....	(190)	-
Stock options exercised.....	25	-
Other net.....	(5)	-

Net cash provided by (used in) financing activities..... 59,292 10,363

Net increase in cash and due from banks..... 9,076 2,459

Cash and due from banks January 1..... 88,325 76,216

Cash and due from banks at March 31..... \$ 97,401 \$ 78,675

Cash paid during the period for:

Interest on deposits and other borrowings.....	\$ 29,457	\$ 24,331
Federal and state income taxes.....	\$ 850	\$ -

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Consolidated Financial Statements

The Consolidated Statements of Financial Condition as of March 31, 1992 and December 31, 1991, the Consolidated Statements of Income for the three month periods ended March 31, 1992 and 1991 and the Consolidated Statements of Cash Flows for the three month periods ended March 31, 1992 and 1991 have been prepared by Valley National Bancorp("Valley"), without audit. In the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly Valley's financial position, results of operations, and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. These consolidated financial statements are to be read in conjunction with the financial statements and notes thereto included in Valley's December 31, 1991 Annual Report to Shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Performance Summary

Valley National Bancorp's net income for the three month period ending March 31, 1992 was \$10.3 million or \$.81 per share as compared with \$7.5 million or \$.59 per share for same period in 1991. Annualized returns on average assets and average shareholders' equity of 1.45% and 20.6%, respectively.

The increase in first quarter results over the previous year can be attributed to an increase in net interest income due to the decline in interest rates during the period and the profitable investment of funds received from the acquisition of four savings and loans from the Resolution Trust Corporation ("RTC") during the latter part of 1992. In addition, profits from the sale of securities further enhanced the results of the quarter as well as additional fees earned by VNB Mortgage Services, Inc. ("MSI"). This was offset by a larger loan loss provision to protect against any continuing downturn in the real estate market in Northern New Jersey and higher operating expenses which were a result of the additional 22 branches acquired from the RTC. There continued to be a weak demand for loans, except for the residential real estate market which continues to improve as a result of refinancing due to the decline in interest rates and a modest increase in sales due to the stabilization of prices and general improvement in the region's economy.

Net Interest Income

The primary contributor to Valley's earnings is net interest income which represents the profit margin between interest revenues on earning assets and interest paid on the funding sources for those assets. Each component is measured by changes in volume, mix and rates earned or paid on these earning assets and corresponding liabilities. For the three month period ended March 31, 1992 net interest income on a tax equivalent basis increased \$6.8 million compared with March 31, 1991 for an increase of 30.1 percent. The increase in net interest income reflects the addition of approximately \$650 million of net savings deposits from the four savings and loan acquisitions since March 31, 1991. These deposits were invested in various investment securities at a positive interest margin, substantially contributing to the increase in net interest income. In addition, approximately \$220 million of net new deposits were added to Valley's deposit base since March 31, 1991 which were also profitably invested. Lastly, the decline in interest rates on the remaining earning assets and cost of deposits produced a further increase in net interest income.

The largest component of interest income is interest on loans and fees which decreased by \$4.8 million or 12.9 percent from March 31, 1992 over 1991. This decrease was directly attributable to a decrease in average loans of \$62.0 million since March 31, 1991 while the average rate also declined.

Tax equivalent interest on investments amounted to \$23.4 million compared to \$9.5 million for the periods March 31, 1992 and 1991, respectively. The increase was mainly the result of increased investments during the quarter as an alternative to decreased loan demand and due to the funds available from the 1991 acquisitions. The average balance of investments increased by \$821.4 million and during the same period average rates declined to partially offset the affect of the increased balances. Increases in average balances were mainly attributed to purchases of mortgage backed securities, short term U.S. Treasury Notes, and bank qualified obligations of state and political subdivisions.

Interest paid on deposits increased \$3.6 million or 14.7 percent during the quarter ended 1992 over 1991. This was primarily the result of increased average interest bearing deposits of \$765.0 million or 50.6 percent while average interest rates declined during the period. The increase in average balances were predominantly from the savings and loan acquisitions. Interest on other short term borrowings decreased slightly during the period over the prior year.

Non-Interest Income

Non-interest income is generated through fee based services provided by the bank and its mortgage servicing subsidiary. For the quarter ended March 31, 1992 and 1991 non-interest income represented 10.1 percent compared with 5.1 percent, respectively, of Valley's total operating revenues.

Non-interest income consists of fees from trust services, service charges on deposit accounts, fees from mortgage servicing activities, net securities gains, and other bank related commissions and fees. Non-interest income excluding net securities gains increased \$968 thousand over 1991 or 39.3 percent. The largest component of non-interest income is servicing fees from mortgage servicing operations. MSI continued its operations during 1992 as a servicer of mortgage loan portfolios. Servicing fees generated for the quarter ended March 31, 1992 and 1991 amounted to \$984 thousand or 15.5 percent and \$484 thousand or 19.6 percent of non-interest revenues, respectively. MSI continues to seek additional portfolios for purchase. The servicing portfolio totalled \$832.0 million at March 31, 1992 and a portfolio of approximately \$196 million was acquired during the second quarter of 1992.

Income generated from service charges on deposit accounts increased by \$166 thousand or 21.1 percent over the prior year to \$956 thousand. These charges represent 15.1 percent of non-interest revenues in 1992 compared with 32.0 percent in 1991.

Valley's department of Estates and Trusts provides various fiduciary and custodial services for individual and corporate clients. Fees from trust services increased during the quarter by \$25 thousand over the prior year. This increase was the result of a continued emphasis on increasing the level of trust assets under management by establishing new client relationships, introducing new products and maintaining a competitive fee schedule.

Other non-interest income consisting of safe deposit rental fees, income from credit card operations, commissions on credit protection insurance and miscellaneous charges increased by \$277 thousand or 25.8 percent in 1992 from 1991.

Net gains on securities transactions were higher in 1992 by \$2.9 million which resulted from the decision to shorten investment maturities to avoid future interest rate risk. This included the sale of securities which were purchased with funds available from the purchase of the savings and loans.

Non-Interest Expense

Non-interest expense increased \$4.3 million or 39.4 percent from March 31, 1991. This reflects the costs associated with the addition of 22 branches and the back office operations of the savings and loan acquisitions. The largest component is salaries and employee benefits which rose \$2.0 million representing, once again, the addition of the staff necessary for Valley's expanded operations. Salaries, absent any further acquisitions, are expected to level off except for normal increases, as the full complement of staff necessary to operate the acquisitions are now employees.

Occupancy and equipment was \$566 thousand or 34.2 percent higher than 1991. The majority of this increase was the cost of the additional branch locations acquired.

Amortization of intangible increased \$175 thousand over 1991 and was mainly attributable to the acquisition of additional servicing portfolios during 1991.

Insurance premiums assessed by the Federal Deposit Insurance Corp. (FDIC) increased by \$474 thousand from \$839 thousand to \$1.3 million. This resulted partially from the increase in Valley's deposits coupled with the deposits acquired in connection with the savings and loan acquisitions. In addition, there was a change in the rates assessed from .195 percent to .23 percent of insured deposits from the March 1991 quarter to the March 1992 quarter. The last change to .23 percent occurred in June 1991, however, the rates and method of charging premiums are currently under review by the FDIC. This review is being conducted

as authorized by the Federal Deposit Improvement Act of 1991 ("ACT"), as passed by Congress, which has set the current 23 basis point premium as the minimum average premium for banks. The Act also institutes a new risk-based premium

system which must be implemented by 1994. Valley cannot predict the impact from the changes based on the Act, but would expect to benefit from a risk-based pricing based on its strong capital position.

Increases in other non-interest expense of \$1.1 million or 40.5 percent were primarily the result of additional operating costs associated with the 22 branches acquired. It is expected that these expenses will not increase above these levels again, unless unusual circumstances, such as an acquisition takes place.

Income Taxes

Income taxes as a percentage of pre-tax income rose to 35.2 percent from 29.0 percent for the period March 31, 1992 from the prior year quarter. This increase was partially attributable to providing for a one time expense for income taxes which would be payable if a proposed merger of Mayflower into Valley is consummated. Such taxes are expected to be payable if the merger is finalized as anticipated in the last quarter of 1992. Income taxes without these additional taxes would have been 32.5 percent, which reflects the lower level of revenues earned on investment securities and loans which are exempt from federal income taxes from the prior year.

FUNDS MANAGEMENT

Interest Rate Sensitivity

Managing net interest margin continues to be the single most important factor in maximizing earnings. Through its Funds Management Policy, Valley strives to maintain consistent earnings by managing the sensitivity or repricing of its assets and liabilities to interest rate fluctuation.

Valley seeks to achieve a sufficient level of rate sensitive assets to equal its rate sensitive liabilities and analyzes the maturity or repricing of earning assets and sources of funds at various intervals. The level by which repricing earning assets exceed or are exceeded by repricing sources of funds is expressed as a ratio and dollar value (interest sensitivity gap) and is used as a measure of interest rate risk. A ratio of 1 to 1 or zero gap would represent a balanced position between rate sensitive assets and rate sensitive liabilities and would be desirable during periods of relatively stable interest rates. A ratio of less than 1 to 1 or a negative gap would indicate a level of rate sensitive liabilities in excess of rate sensitive assets and would be used when declining rates are forecasted. A ratio of more than 1 to 1 or a positive gap would indicate more rate sensitive assets than liabilities and would be utilized when rising rates are forecasted.

Based on a five year historical analysis, Valley anticipates that 10 percent of its savings deposits will be subject to withdrawal within the first annual repricing period and consequently 10 percent of the savings deposits are categorized as over one year. While now and demand deposit accounts are subject to immediate withdrawal based upon a similar historical analysis new monies in such accounts exceed withdrawals and are, therefore, categorized as non-rate sensitive.

At March 31, 1992, rate sensitive liabilities exceeded rate sensitive assets at the 90 day interval and resulted in a negative gap of \$678.2 million or a ratio of .42:1. Rate sensitive assets exceeded rate sensitive liabilities at the 91 to 365 day interval by \$15.7 million or a ratio of 1.03:1 and resulted in a small positive gap. The total negative gap as of March 31, 1992 is \$662.5 million or .62:1. In view of the present economic climate and continued downward trends in interest rates, management does not view these amounts as presenting an unusually high risk potential.

Liquidity

liquidity measures the ability to satisfy current and future cash flow needs as they become due. Maintaining an adequate level of liquid funds through proper asset-liability management ensures that these needs are met at a reasonable cost. On the asset side, liquid funds are maintained in the form of cash, due from banks, federal funds sold and unpledged short term investment securities. At March 31, 1992, liquid assets amounted to \$1.08 billion as compared to \$869.0 million at December 31, 1991. This represents 40.0 percent and 32.5 percent of earning assets and 37.1 percent and 30.3 percent of total assets at March 31, 1992 and year end 1991, respectively.

On the liability side, the primary source of funds available to meet liquidity needs is Valley's core deposit base, which generally excludes certificates of deposit over \$100 thousand. Core deposits averaged \$2.09 billion and \$1.57 billion at March 31, 1992 and year end 1991, respectively, representing 79.7 percent and 74.1 percent of average earning assets. Short term borrowing and large dollar certificates of deposit, generally those over \$100 thousand, are used as supplemental funding sources during periods when growth in the core deposit base does not keep pace with that of earning assets. Short term borrowings and certificates of deposit over \$100 thousand amounted to \$22.4 million and \$236.8 million, on average, at March 31, 1992 and year end 1991.

Asset Quality and Risk Elements

Valley's primary business activity continues to be its lending function. Careful procedures to review the credit worthiness of applicants are employed to try to minimize the risk factor inherent in this type of business. Furthermore, efforts are made to maintain a diversified portfolio as to type of borrower and loan to guard against a downward turn in any one economic sector.

Management realizes that some degree of risk must be expected in the normal course of lending activities. Adequate reserves are therefore maintained to absorb such potential loan and off-balance sheet credit losses. The allowance for loan losses and related provision are an expression of management's appraisal of the credit portfolio and economic climate.

The level of the allowance is the result of an indepth and ongoing analysis by management and Valley's Board of Directors. This analysis takes into account various data so as to properly assess adequacy of the allowance. During the quarter continued emphasis was placed on the current economic climate and the continued deterioration of the real estate market in the Northern New Jersey area. Management addressed the current economic problems and applied that information to changes in composition of the loan portfolio, to variances in levels of classified loans, to increases in non-performing assets and other past due amounts. Reserve adequacy calculations are completed by applying risk assumptions to determine specific and general reserve requirements for all loans. Less emphasis is placed on historic experience as present conditions appear to be substantially unrelated to past experience and criteria. The culmination of this process is an adjustment to the reserve, as deemed necessary, to maintain the allowance at a level considered by management adequate to absorb future potential loan losses and other credit related charge-offs.

Valley's level of loan loss reserves has increased by \$1.3 million since year end 1991. At March 31, 1992 the allowance for loan losses amounted to \$23.2 million or 1.7 percent of loans, net of unearned income, as compared to \$21.9 million or 1.6 percent at year end 1991. Excluding from the calculation of non-performing assets the \$18.4 million of the balloon mortgages on which the renewals have not been documented (see "Non-Performing Assets", pg.12), the allowance compared to nonperforming assets was 61.3 percent. Excluding all past due but accruing loans from the calculation of non-performing assets, the allowance compared to nonperforming assets was 95.7 percent. However, if all categories of nonperforming assets are included, the allowance compared to the level of nonperforming assets decreased to 41.3 percent at March 31, 1992, compared to 58.0 percent at yearend 1991.

The allowance is maintained at a level deemed adequate by management through provisions charged against income and recoveries of previously charged-off loans. The provision for possible loan losses amounted to \$3.25 million, at March 31, 1992 compared to \$1.7 million for the same period in 1991.

AN PORTFOLIO CONCENTRATIONS AND NON-PERFORMING ASSETS

(In thousands)

(Thousands)	As of 3/31/92 % of loans, net of unearned income		As of 12/31/91 % of loans, net of unearned income		As of 9/30/91 % of loans, net of unearned income		As of 6/30/91 % of loans, net of unearned income		As of 3/31/91 % of loans, net of unearned income						
AN PORTFOLIO CONCENTRATIONS															
Commercial, financial and agricultural	\$	255,183	18.40%	\$	249,669	18.10%	\$	261,512	18.70%	\$	281,494	20.10%	\$	300,375	21.20%
Real estate construction-Commercial		57,154	4.10%		65,455	4.70%		87,761	6.30%		83,442	5.90%		83,447	5.90%
Real estate construction-Residential		10,035	0.70%		10,872	0.80%		10,599	0.80%		9,685	0.70%		12,377	0.90%
Real estate mortgage-Commercial		288,981	20.80%		288,761	21.00%		271,266	19.40%		265,659	18.80%		260,009	18.10%
Real estate mortgage-Residential		399,252	28.70%		373,884	27.10%		371,841	26.60%		368,204	26.30%		366,564	25.90%
Loans to individuals		180,330	12.90%		189,293	13.90%		194,037	13.90%		195,486	13.90%		196,515	13.90%
		1,390,937			1,377,914			1,396,996			1,402,190			1,416,907	
Unearned income		-841			-987			-1,420			-1,542			-1,529	
Loans, net of unearned income	\$	1,390,096	100.00%	\$	1,376,927	100.00%	\$	1,395,576	100.00%	\$	1,400,648	100.00%	\$	1,415,378	100.00%

NON-PERFORMING ASSETS

	% of loan group		% of loan group		% of loan group		% of loan group		% of loan group						
ACCRUAL LOANS															
Commercial, financial and agricultural	\$	375	0.15%	\$	1,767	0.71%	\$	2,499	0.95%	\$	751	0.27%	\$	1,318	0.44%
Real estate construction-Commercial		4,684	0.20%		4,615	0.11%		4,754	0.70%		4,967	0.94%		4,088	7.20%
Real estate construction-Residential		8,500	84.70%		8,500	78.18%		8,500	80.20%		8,500	87.76%		8,500	48.48%
Real estate mortgage-Commercial		5,597	1.94%		4,172	1.44%		5,394	1.99%		5,599	2.17%		1,152	0.44%
Real estate mortgage-Residential		1,437	0.36%		1,126	0.30%		1,210	0.33%		845	0.23%		1,315	0.36%
Loans to individuals		188	0.05%		248	0.06%		407	0.10%		176	0.04%		219	0.06%
		20,781			22,428			26,754			20,828			18,512	

Non-accrual loans as a percentage of loans, net of unearned income

1.40%	1.63%	1.77%	1.49%	1.31%
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REAL ESTATE OWNED

Real estate owned	691	1,466	1,508	536	482
Intangible foreclosures	2,779	3,409	3,689	4,535	2,565
Total other real estate owned	3,470	4,875	5,195	5,089	3,247

LOANS PAID IN EXCESS OF

LOANS AND STILL ACCRUING	31,979	10,506	10,364	10,873	11,655
Loans paid in excess of 90 days and still accruing as a percentage of loans, net of unearned income	2.30%	0.76%	0.74%	0.77%	0.82%

Total non-performing assets

\$	56,230	\$	37,809	\$	40,313	\$	36,720	\$	33,616
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Total non-performing assets as a percentage of loans, net of unearned income

4.05%	2.75%	2.89%	2.62%	2.36%
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Estimated non-performing assets	\$	5,994								
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Net loan charge-offs were \$2.0 million at March 31, 1992. The annualized ratio of net charge-offs to average loans amounted to .60 percent compared with .43 percent at December 31, 1991.

During the quarter one loan in the amount of approximately \$6 million was modified so that it became a troubled debt restructuring. The maturity of the loan was extended at a below market rate of interest. There was no reduction in the principal balance as a result of this restructuring.

Non-Performing Assets and Past Due Loans

Non-performing assets include non-accrual loans, other real estate owned (OREO) including insubstance foreclosures and loan past due in excess of 90 days and still accruing. Non-accrual loans represent loans which are generally past due in excess of 90 days as to the collection of principal or interest payments. Exceptions to the non-accrual policy may be permitted if the loan is sufficiently collateralized. OREO is acquired through foreclosure on loans secured by land or real estate. OREO is reported at the lower of carrying value or fair market value as determined by appraisal on the date of acquisition. Insubstance foreclosures represent loans wherein there is little or no equity by the borrower in the collateral, proceeds for repayment of the loan can only be expected from the operation or sale of the collateral, and the borrower has effectively abandoned control of the collateral due to his current financial condition, including the ability to rebuild equity in the collateral. Loans past due 90 days and still accruing represent those loans which are well collateralized and management believes all interest and principal owed will be collected.

The level of non-performing assets has increased steadily since 1990. Non-performing assets were \$56.2 million at March 31, 1992 and \$37.8 million at December 31, 1991 and amounted to 4.05 percent and 2.75 percent of loans, net of unearned income for each of these periods, respectively. The \$18.4 million increase in non-performing assets since December 31, 1991 is due exclusively to a \$21.5 million increase in loans past due in excess of 90 days and still accruing. Of the increase of \$21.5 million, \$18.4 million represents matured commercial balloon mortgages on which the customer continues to pay principal and interest and the Bank internally approved an extension of the loan, but for which formal modification and extension agreements were not executed. Of the \$18.4 million of such balloon mortgages, \$13.3 million were more than 90 days past their maturity at December 31, 1991 but were only categorized as past due after March 31, 1992. The remaining \$5.1 million of these balloon mortgages became more than 90 days past due during the first quarter of 1992. Since March 31, 1992, the Bank has actively begun to document the renewal of these loans and, as of May 12, 1992, borrowers representing \$2.9 million of the \$18.4 million of balloon mortgages have executed loan modification and extension agreements or have paid the Bank a fee for renewal and received approval from the Bank for a loan modification and extension agreement which is now being prepared or reviewed by attorneys for the Bank. Consequently, the Bank anticipates that substantially all of these balloon commercial mortgages will be formally extended within the next several weeks and, as a consequence the \$18.5 million past due increase in the first quarter due to the balloon mortgages will be eliminated or substantially reduced by the second or third quarter. Of the \$20.8 million in non-accrual loans at March 31, 1992, approximately \$16.8 million or 80.6 percent are considered adequately collateralized and backed by personal guarantees. Insubstance foreclosures amounted to \$2.8 million as compared with \$3.4 million at December 31, 1991.

The decline in the economy, both on a national level and specifically in New Jersey, has caused an industry wide increase in non-performing assets. As the New Jersey economy continues to slow, particularly in the residential housing market, the trend of increasing non-performing assets may continue. Although Valley has not identified specific loans which may become non-accrual in the future, Valley's level of non-performing assets may increase if the economy continues to decline. Despite this downturn, Valley believes that its overall asset quality remains better than average, as evidenced by the fact that as of March 31, 1992, total non-performing assets, excluding the balloon mortgages, as a percentage of loans, net of unearned income was 2.7 percent.

Capital Adequacy

A significant measure of the strength of a financial institution is a strong capital base which can expand in close proportion to asset growth. It is the capital base which provides the primary risk insurance to depositors. Also, it is an important consideration to federal regulators, analysts of Valley's common stock, as well as others in the marketplace.

The Federal Reserve issued guidelines effective December 31, 1990, under a transitional ruling with full implementation required by December 31, 1992, for adopting a risk-based capital measure to be used in assessing the capital adequacy of bank holding companies. The risk-based capital ratio is determined by dividing Valley's qualifying total capital by consolidated total weighted-risk assets.

Weighted-risk assets are calculated by assigning assets and certain off-balance sheet items to broad risk categories. The total dollar value of each category is then weighted by the level of risk associated with each category. Certain other off-balance sheet items are converted to credit equivalents based upon a stated conversion factor and then assigned to the appropriate risk category.

Qualifying total capital is divided into two components; Tier-One and Tier-Two capital. Under the transitional ruling, Tier-One capital consists primarily of common shareholders' equity, less goodwill acquired after March 12, 1985, while the Tier-Two capital component will be made up of a limited portion of the allowance for loan losses not to exceed 1.5 percent of weighted-risk assets.

Effective December 31, 1992, Tier One capital will be further reduced by the exclusion of goodwill acquired before March 12, 1988, and the allowable portion of the allowance for loan losses included in Tier-Two capital will be reduced to 1.25 percent of weighted-risk assets.

Based upon the transitional minimum guidelines effective December 31, 1990, Valley's Tier One risk-based capital was 11.82 percent at March 31, 1992 as compared to a minimum ratio of 3.625 percent. Valley's risk-based capital ratio, Tier-One and Tier-Two capital of 13.19 percent is well in excess of the minimum required 7.25 percent. Effective December 31, 1992 the minimum Tier-One capital ratio will be increased to 4 percent and the minimum combined Tier-One and Tier-Two ratio will be increased to 8 percent.

Capital adequacy is measured against guidelines as established for bank holding companies by the Federal Reserve Board ("FRB"). Effective December 31, 1990 the FRB issued guidelines for the Tier-one capital leverage ratio. This ratio represents capital less goodwill as a percentage of adjusted average assets. At March 31, 1992 Valley's leverage ratio was 6.89 percent, above the fully-phased in required regulatory capital of 3.00-5.00 percent.

Both VNB and Mayflower are also subject to similar but separate capital adequacy guidelines. VNB is subject to risk-based capital rules and leverage rules issued by the Comptroller of the Currency. As of March 31, 1992, VNB's risk-based capital ratio, Tier-One and Tier-Two was 11.10 percent and its leverage ratio was 5.67 percent. Mayflower, like Valley and VNB, maintains capital well in excess of all required minimums.

The primary source of capital growth is through retention of earnings. Valley's rate of earning retention, derived by dividing undistributed earnings by net income was 58.2 percent at March 31, 1992 compared to 42.7 percent at December 31, 1991. Annualized common dividends declared amounted to \$1.36 per share, equivalent to a dividend payout ratio of 41.8 percent down from 57.3 percent at year-end 1991. Valley's Board of Directors continues to believe that cash dividends are an important component of shareholder value and that at its current level of performance and capital strength, Valley expects to be able to continue its current dividend policy.

Capital Adequacy

	Valley regulatory capital		Required regulatory capital	Fully phased-in regulatory required capital
	<u>Amount</u>	<u>Percent (1)</u>	<u>Percent (2)</u>	<u>Percent (3)</u>
Risk based capital:				
Tier-one capital	\$200,457	11.82%	3.625%	4.00%
Tier-one & Tier-two capital	\$223,634	13.19%	7.25%	8.00%
Tier-one leverage	\$196,105	6.89%	3.00-5.00%	3.00-5.00%

(1) Ratio of qualifying capital to consolidated total weighted-risk assets.

(2) Based upon the minimum regulatory guidelines effective December 31, 1990.

(3) Based upon the fully phased-in minimum guidelines effective December 31, 1992.

PART II

Item 5. Other Matters

- a) The Board of Directors approved a three for two common stock split on March 24, 1992. The new stock was issued April 24, 1992 to shareholders of record as of April 13, 1992. In conjunction with the announced split, the Board of Directors also approved an increase in the regular quarterly dividend from 22.6 cents to 24 cents per quarter, on an adjusted basis. In connection with the stock split the company filed an amendment to its Certificate of Incorporation which increased the authorized common shares to 27,300,000 shares effective April 23, 1992.

Item 6. Exhibits and Reports on Form 8-K

- a) Reports on Form 8-K
 - 1) There were no reports on Form 8-K filed by Valley during the quarter which is covered by this report.
- b) Amendment to Certificate of Incorporation

(The remaining omitted items of Part II are inapplicable.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALLEY NATIONAL BANCORP
(Registrant)

Date: 5/14/80

PETER SOUTHWAY
PRESIDENT AND CHIEF
OPERATING OFFICER

Date: 5/18/80

Alan D. Eskow
ALAN D. ESKOW
VICE PRESIDENT
FINANCIAL ADMINISTRATION

AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
VALLEY NATIONAL BANCORP.

FILED

APR 23 1992

DANIEL J. DALTON
Secretary of State

Valley National Bancorp., a New Jersey corporation, pursuant to N.J.S.A. 14A:7-15.1, does hereby certify as follows:

(a) The name of the corporation is: Valley National Bancorp. (the "Corporation").

(b) A fifty percent (50%) stock split was declared by the Corporation on March 24, 1992, pursuant to which one share of Common Stock, no par value, will be distributed for each two shares of Common Stock, no par value, held by shareholders on the record date of April 13, 1992, effective April 24, 1992. A resolution approving the share division was adopted by the Board of Directors of the Corporation at its regular meeting held on the 24th day of March, 1992.

(c) The share division will not adversely affect the rights or preferences of the holders of outstanding shares and will not result in the percentage of authorized shares that remains unissued after the share division exceeding the percentage of authorized shares that was unissued before the share division.

(d) There were issued and outstanding, as of the record date of April 13, 1992, 12,688,543 shares of Common Stock without par value which are the shares subject to the share division. As a result of the share division, in which one share will be issued for every two shares issued and outstanding, those 12,688,543 will

be divided into 19,032,814 shares issued and outstanding.

(e) The Corporation is hereby amending its certificate of incorporation in connection with the share division as follows:

The existing "Article V" is deleted in its entirety. In lieu thereof, the following Article V is added to the certificate of incorporation:

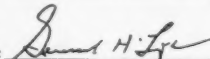
"The Corporation is authorized to issue 27,300,000 shares of common stock without nominal or par value."

(f) The share division and amendment are to become effective as of April 24, 1992.

IN WITNESS WHEREOF, Gerald H. Lipkin, Chairman and chief Executive Officer of Valley National Bancorp., has executed this Certificate on behalf of Valley National Bancorp on this 17th day of April, 1992.

VALLEY NATIONAL BANCORP.

By:



Gerald H. Lipkin, Chairman
and Chief Executive Officer



92857646

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended:

September 30, 1991

Commission File Number:

0-5833

Name of Registrant:

VIDA MEDICAL SYSTEMS, INC.

State of Incorporation:

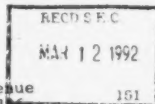
NEVADA

Employer Identification No.:

94-1713830

Principal Executive Office:

Suite 150
350 Cambridge Avenue
Palo Alto, CA 94306



Registrant's Telephone No.:

415/322-8498

Registrant's Former Name:

None During Past 5 Years

BASIC INFORMATION

APPLICABLE TO ALL ISSUERS:

Indicate whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days:

YES

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

NOT APPLICABLE

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

One class only, all common stock
14,368,265 shares outstanding as of the date hereof.

BEST COPY
AVAILABLE

PART II: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The financial statements required by Rule 10-01 of Regulation S-X are attached hereto and by this reference made a part hereof.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The registrant has at present no operations. Its only income is from interest on deposits of money. Its expenses arise out of its administrative activities, principally from the expenses of SEC compliance. These expenses exceed the interest income of registrant. For this reason, registrant incurs modest losses and a negative cash flow. These losses and negative cash flow will continue for the foreseeable future. The registrant has no plans or expectations of if or when this situation might change, or how such a change might be brought about, or how or when it might resume business operations, or what such operations might be. Such business losses and negative cash flow might eventually consume all of the registrant's capital.

PART III: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The registrant is not now engaged in any legal proceedings.

ITEM 2. CHANGES IN SECURITIES.

a. No securities of the registrant have been materially modified.

b. No securities of the registrant have been materially limited.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

a. The registrant has outstanding no senior debt securities.

b. The registrant has outstanding no preferred securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE
OF SECURITY HOLDERS.

- a. The registrant has held no meeting of its security holders during the past ten years.
- b. No directors have been elected by a vote of the registrant's securities holders.
- c. No matter has been voted upon by the registrant's securities holders.
- d. There has been no settlement between the registrant and any other party terminating any solicitation of proxies.

ITEM 5. OTHER INFORMATION.

NONE.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- a. The registrant has issued none of the documents listed in Table II of Item 7 of Regulation S-K, in particular document number 4 (an instrument defining the rights of securities holders), document number 11 (a statement re computation of per share earnings), document number 19 (a letter re change in accounting principles), document number 20 (any previously unfiled document), or document number 23 (a published report regarding matters submitted to a vote of securities holders).

- b. No reports on Form 8-K were filed by the registrant during this quarter.

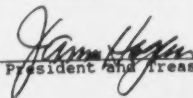
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: Oct 15, 1991

VIDA MEDICAL SYSTEMS, INC.

By


President and Treasurer

VIDA MEDICAL SYSTEMS, INC.
LIST OF FINANCIAL STATEMENTS
ALL UNAUDITED

Balance Sheet as of September 30, 1991

Statement of Profit for the Quarter ended September 30, 1991

Statement of Changes in Cash Position for the Quarter ended
September 30, 1991

Notes to Financial Statements

VIDA MEDICAL SYSTEMS, INC.

BAJANCE SHEET

September 30, 1991

UNAUDITED

ASSETS

CURRENT ASSETS

CASH

\$ 3,052

LIABILITIES AND STOCKHOLDERS EQUITY

STOCKHOLDERS' EQUITY

Common Stock:

Par value \$.25 per
share; authorized
50,000,000 shares,
issued and outstand-
ing 14,368,265 shares

\$ 1,514,283

Accumulated Deficit:

\$ 1,511,231

TOTAL:

\$ 3,052

The accompanying notes are an integral part of these
financial statements

VIDA MEDICAL SYSTEMS, INC.
STATEMENT OF PROFIT AND ACCUMULATED DEFICIT
PERIOD ENDING September 30, 1991

UNAUDITED

Interest income	\$ 39
Expenses	\$ 0
NET INCOME:	\$ 39
Accumulated Deficit March 31, 1991	\$ 1,511,270
Accumulated Deficit September 30, 1991	\$ 1,511,231
	=====
Net Loss Per Share	\$ 0
	=====

The Accompanying notes are an integral part of these financial statements.

VIDA MEDICAL SYSTEMS, INC.
STATEMENT OF CHANGES IN CASH POSITION
PERIOD ENDING September 30, 1991

UNAUDITED

Use of Funds	
Net Profit	\$ 39
Increase in Cash	\$ 39
Cash, March 31, 1991	\$ 3,013
Cash, September 30, 1991	\$ 3,052
	=====

The accompanying notes are an integral part of these financial
statements.

VIDA MEDICAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1: PREVIOUS BANKRUPTCY REORGANIZATION

The Company filed a petition under Chapter 11 of the Bankruptcy Act on December 8, 1978, in the Bankruptcy Court of the United States District Court for the Northern District of California. A Plan of Arrangement was confirmed by the Court on October 16, 1980, and a Final Decree was entered June 17, 1981. Under the Plan, all debts of the Company were discharged except that the Company was contingently liable to pay certain creditors no more than \$93,815 from (a) 100% of all future royalty income, if any, and (b) 10% of annual net income from operations, if any, not to exceed \$15,000 in any given year and not to exceed the total amount of \$93,815. Since the aforesaid dates, the Company has had no royalty income and the Company has had no income from operations. Accordingly, the Company has never made any such payments to its former creditors. The Company does not expect ever to receive any royalty income in the future and does not now foresee that it can or will begin any operations in the future. For those reasons, on July 30, 1986, the Company wrote off all contingent liability and notified former creditors that no contingent payments would ever be made. The Company has received no response to that notice. The Statute of Limitations has now run as to any such contingent liability barring any action to enforce the aforesaid contingent payments.

NOTE 2: COMMON STOCK

The Company has authorized a single class of common stock. The number of outstanding shares at December 31, 1986, and 1987 was adjusted to reflect amounts that were independently confirmed by the Company's stock transfer agent prior to December 31, 1986. Since that confirmation, the Company has issued no additional stock. In order to save money, the Company now performs its own stock transfer and registrar functions.

NOTE 3: TAX LOSS AND CARRYFORWARD

The Company has a net operating loss carryforward of approximately \$32,000 which is available to reduce future taxable income.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



92
2-78585-NY

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

RECEIVED

MAR 20 1992

For Quarter Ended January 31, 1992 Commission File No. 2-78585-NY

WORLDWIDE COLLECTIONS FUND, INC.

(Exact name of registrant as specified in its charter)

New Jersey

59-2507039

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer
identification no.)

955 South Virginia Street, Suite 219, Reno, Nevada 89502

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (702) 333-6768

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate number of shares outstanding of each of the issuer's classes of common stock as of January 31, 1992.

Title of each class
Common stock no par value

Number of shares outstanding

12,475,459

9-9-X

MAR 24 1992

Number of Pages in Report: 9

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WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES

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QUARTER ENDED JANUARY 31, 1992

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Item 1. Financial Statements

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January 31, 1992 and 1991 4

Condensed Consolidated Statement of
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January 31, 1992 and 1991 5

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Item 1. Legal Proceedings

Item 2. Reports on Form 8-K.

WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheet

<u>Assets</u>	<u>Six Months Ended</u> <u>January 31, 1992</u> (Unaudited)	<u>Year Ended</u> <u>July 31, 1991</u> (Audited)
Cash	\$ 312,666	\$ 218,773
Finance receivables, less unearned interest, unamortized discounts and allowances for credit losses	5,454,781	4,602,319
Note receivable - related party		257,159
Mortgages receivable		38,089
Prepaid expenses and other assets	9,589	28,589
Total Assets	\$ <u>5,777,036</u>	\$ <u>5,144,929</u>
 <u>Liabilities and Stockholder's Equity</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 48,352	\$ 55,252
Total Liabilities	<u>48,352</u>	<u>55,252</u>
Stockholders' equity:		
Common stock, no par value, authorized 5,000,000 shares; 2,975,459 shares	5,719,699	5,719,699
Retained earnings (Accumulated deficit)	(15,705)	(623,302)
	<u>5,735,404</u>	<u>5,096,397</u>
Less treasury stock, 13,000 shares, at cost	(6,720)	(6,720)
Total stockholders' equity	<u>5,728,684</u>	<u>5,089,677</u>
	<u>5,777,036</u>	<u>5,144,929</u>

The accompanying notes are an integral part
of these condensed financial statements

WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Income

	Three Months Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Revenues:				
Finance income	\$ 599,751	\$ 281,161	\$ 854,544	\$ 552,233
Interest earned	5,222	11,124	11,537	18,976
Lease revenues	28,361	44,908	68,528	78,283
Other	<u>5,000</u>	<u>93,950</u>	<u>164,437</u>	<u>191,654</u>
Total Revenues	\$ <u>638,334</u>	\$ <u>431,143</u>	\$ <u>1,099,046</u>	\$ <u>841,146</u>
Expenses:				
Interest expense	-	1,251	1,825	3,648
Salaries	-	134,062	-	188,560
Depreciation and amortization	-	1,464	-	4,878
Management fees	50,349	-	67,315	-
Legal and accounting	27,134	98,080	44,536	154,874
Legal collection fees	215,732	-	313,643	-
Loss on sale of Mortgages	-	-	27,414	-
General and Administrative	-	239,931	-	483,599
Total Expenses	\$ <u>293,215</u>	\$ <u>474,788</u>	\$ <u>454,733</u>	\$ <u>835,559</u>
Income (loss) from continuing operations before taxes	345,119	(43,645)	644,313	5,587
Provisions for income taxes	-	-	-	-
Net income (loss)	<u>345,119</u>	<u>(43,645)</u>	<u>644,313</u>	<u>5,587</u>
Weighted average number of shares	<u>2,975,459</u>	<u>2,975,459</u>	<u>2,975,459</u>	<u>2,975,459</u>
Earnings (loss) per common share	<u>.116</u>	<u>(.015)</u>	<u>.216</u>	<u>.002</u>

Read accompanying notes to consolidated financial statements.

WORLDWIDE COLLECTIONS FUND, INC.
Condensed Consolidated Statement of Cash Flows

	<u>Six Months Ended</u> <u>January 31</u>	
	1992 (Unaudited)	1991 (Unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 644,313	\$ 5,587
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	-	4,878
Deferred income	-	
Changes in certain assets and liabilities:		
Decrease (Increase) in finance receivables	(852,462)	17,743
Decrease in inventories	-	-
Decrease in retained earnings	(5,306)	(120,073)
Decrease (Increase) in notes receivable - related party	257,159	(320,000)
Decrease (Increase) in prepaid expenses and other assets	19,000	(51,524)
(Decrease) in accounts payable and accrued expenses	(6,900)	(49,857)
Decrease in mortgages receivable	38,089	1,084
Net cash provided (used) by operating activities	<u>93,893</u>	<u>(512,162)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	-	(47,104)
Net cash provided (used) by investing activities	<u>-</u>	<u>(47,104)</u>
Net increase (decrease) in cash and cash equivalents	93,893	(559,266)
Cash and cash equivalents at beginning of period	<u>218,773</u>	<u>813,910</u>
Cash and cash equivalents at end of period	\$ <u>312,666</u>	\$ <u>272,644</u>

Read accompanying notes to consolidated financial statements

WORLDWIDE COLLECTIONS FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Form 10-Q
January 31, 1992

1. BASIS OF PRESENTATION

The financial information herein is, except as may be otherwise noted, unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results of the interim period.

All information contained in these interim financial statements should be read in conjunction with the Fund's Annual Report, Amended Form 10-K for the year ended July 31, 1991 dated November 11, 1991.

The results of operations for the second quarter and the six months ended January 31, 1992 are not necessarily indicative of the results to be expected for the full year.

2. INCOME TAXES

The Fund has made no provision for income taxes for the second quarter and the six months ended January 31, 1992, due to the availability of net operating loss carry forwards.

3. RESTATEMENT

As a result of the sale by the majority shareholder of its common stock in the Fund on April 26, 1986, the Fund's financial statements were restated to reflect a new basis of accounting for the assets and liabilities after applying the purchase method of accounting for this transaction.

Effective December 15, 1988, the Fund declared a 1 for 20 reverse stock split which resulted in a decrease in the number of shares outstanding. Shareholders were not required to tender old certificates.

4. COMMITMENTS AND CONTINGENCIES

Reference is made to Commitments and Contingencies as reported on annual Amended Form 10K for the fiscal year ended July 31, 1991 dated November 11, 1991, which are hereby specifically incorporated herein by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

For the second quarter ended January 31, 1992, the Fund earned net income of \$345,119 or \$.11 earnings per share on revenues of \$638,334. This compares to the second quarter ended January 31, 1991 of a net loss of \$(43,645) or \$(.01) loss per share on revenues of \$431,143. The Fund during the six month period ended January 31, 1992 reported net income of \$644,313 or \$.21 earnings per share on revenues of \$1,099,046. This compares to net income of \$5,587 or \$.002 earnings per share on revenues of \$841,146 for the six months ended January 31, 1992.

Total expenses in the six month period ended January 31, 1992 were \$454,743 as compared to \$835,539 for the six month period ended January 31, 1991. The Fund, as of August 1, 1991, entered into a management agreement with Artes-Roy Asset Management, Inc., whereby Artes-Roy Asset Management pays all general and administrative expenses and all salaries on behalf of the Fund. The Fund in return pays Artes-Roy Asset Management, Inc. an annual management fee of 2% of the net asset value and a 5% quarterly performance bonus based on the Fund's reported net income. This has resulted in a substantial decrease in the expenses incurred by the Fund. Of the \$454,733 in expenses reported for the six month period ended January 31, 1992, \$313,643 was paid out in legal collection fees.

Financial Condition

Worldwide Collection Fund, Inc. remains in a strong financial condition with shareholder's equity of \$5,728,684 as of January 31, 1992. Cash on hand, as of January 31, 1992, is \$312,666 which is sufficient for normal operating expenses. The Fund, by a vote of its shareholders on January 31, 1992, spun out to shareholders of record February 1, 1992 its shares of Highland Realty Fund, Inc. on a share for share basis. The spin out of Highland Realty Fund which owns all of the Fund's former real estate subsidiaries, has greatly enhanced the financial condition of the Fund, by removing the operations which generated losses and drained cash. The Fund is debt free, with the exception of normal operating accounts payable.

Management anticipates it will be seeking additional expansion capital through the equity or debt markets to cover the costs of collection against the defaulted accounts currently in inventory, to buy additional defaulted medical paper for its own account, and to expand its operations to other geographic locations.

WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES
FORM 10-K
January 31, 1992

Part II. Other Information

Item 1. Legal Proceedings

The primary assets of The Fund are approximately 16,000 defaulted finance receivables generated by the sale and lease of home improvement equipment. These assets are carried on the balance sheet as of January 31, 1992 at \$5,454,781. The Fund, through legal counsel, has commenced litigation against approximately 4,000 defaulted accounts seeking principal and interest. The debtors in these actions have mounted a vigorous defense to the Fund's collection efforts. The cases filed by the Fund in Dade County, Florida, Palm Beach County, Florida, and Polk County, Florida have been consolidated in each county and the defense of these cases, with the exception of Polk County, is being pursued by a court ordered defense management committee. The court hearing the consolidated cases in Dade County, Florida, recently issued an order invalidating the Fund's security interest in the home improvement equipment. The Fund has appealed the order. The court has allowed the Fund to continue to sue on the contracts signed by the debtors. Counsel for the Fund has advised that they are unable to express an opinion as to the outcome of the appeal or a time frame as to when the litigation will be concluded. Management is unable to forecast the ultimate net recovery of this litigation.

Reference is hereby made to Item 3 of the Registrant's Annual Report, Amended Form 10-K for the fiscal year ended July 31, 1991, dated November 11, 1991, which is hereby specifically incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K: NONE

WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES

FORM 10-Q

January 31, 1992

SIGNATURE

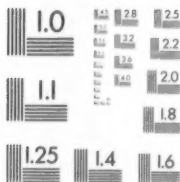
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Worldwide Collections Fund, Inc.
(Registrant)

Dated: 3 19 92



Newman Johnston III
President



150mm

6"

770 BASKET ROAD
P.O. BOX 338
WEBSTER, NEW YORK 14580
(716) 265-1600



